THE Freeman

IDEAS ON LIBERTY

JUNE 1958

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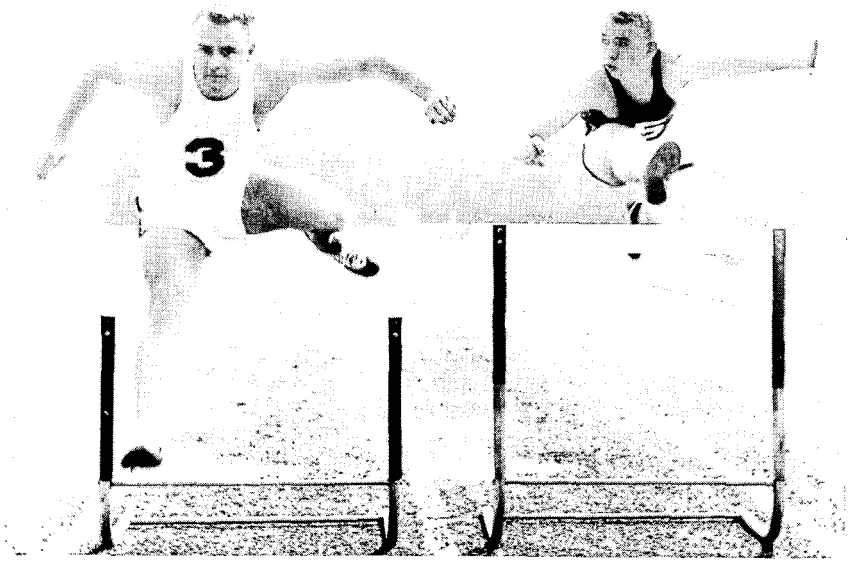

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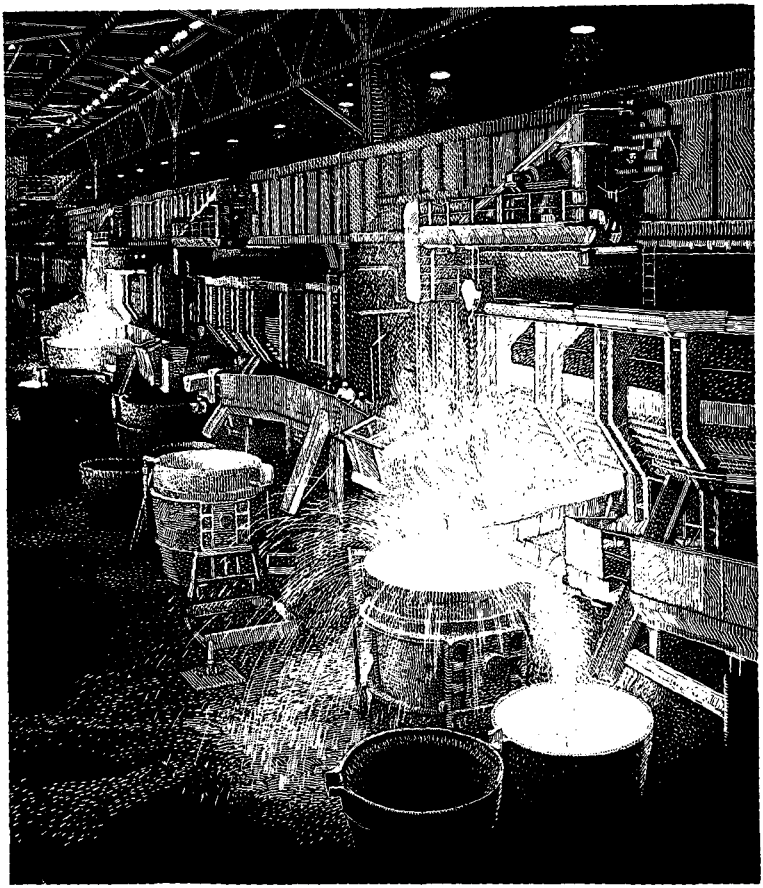

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THE Freeman

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JUNE 1958 Vol. 8 No. 6

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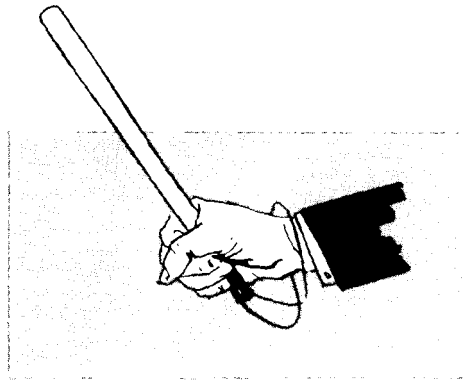
LEONARD E. READ

THE POLICE POWER



MILLIONS of Americans are concerned lest our present creeping inflation turn into hyperinflation. ("Creeping" may not be lusty enough to describe a dollar that has lost 51 per cent of its purchasing power since 1939!) This concern is warranted, for the consequences of hyperinflation here would be unbelievably awful – much worse for the citizens of the U.S.A. than for those in other countries or at other times who are being or have been victimized and shorn of the fruits of their own labor.

In our highly specialized society, nearly all persons are utterly dependent on the free, uninhibited exchange of their respective specializations. There is a marked and dangerous unawareness of the extent of this interdependency.

Barter, the exchange of goods and services directly for other goods and services, is a primitive economic device. It is a negligible element in our own complex society, for obvious reasons. If we had to rely on barter, we would be able to exchange no more than the tiniest fraction of the goods and services we are capable of producing. A farmer in Utah, for example, can hardly exchange one of his lambs for the product of a workman in an Akron tire factory. Exchange in such a complex economy as ours relies on a circulatory system, one able to convey the fruits of our tens of thousands of specializations to all parts of the society. The circulatory system that performs this amazingly complex function is the medium of exchange – our money.

The economic circulatory system can be likened to the circulatory system of the body, in many respects. The bloodstream carries

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oxygen from the lungs and ingested food to trillions of cells and carries off waste matter. Here, again, is a performance so amazingly complex that the mind of man can comprehend it only in a general way.

But, look! One's bloodstream could be thinned or diluted to the point where it would cease entirely to perform this function on which life depends. The patient would die.

Similarly, the economic bloodstream – the medium of exchange – can be thinned or diluted to the point where it will no longer distribute our millions of specialties. This would be far more disastrous to us than to the peoples of other countries because we are far more specialized; because each of us is so far removed from self-subsistence. Ours is the most advanced division-of-labor society that has ever existed.

Inflation is a thinning or diluting process. It comes about by increasing the volume of money.[1] It is a form of coin clipping. Coins have been clipped to the point where little of value remained in the hands of coin owners. The medium of exchange can be increased in such volume that it becomes worthless. (We have increased our own money supply by about 700 per cent since 1932.)

Example: Two German brothers, during 1919, inherited 500,000 marks each from their father. One was frugal and never spent a mark. The other spent the whole of his share on champagne parties. The inflation in Germany progressed so far by 1923 that 30 million marks would not buy a loaf of bread. At this point the frugal lad had nothing. The other was able to exchange his empty champagne bottles for a dinner. The exchange system was reduced to barter!

Government Feeds on Inflation

Observe the history of all hyperinflations. In every instance they were preceded by "creeping" inflations.

The question is: Are we headed for hyperinflation? The answer comes clear if we recognize the nature and cause of inflation. Inflation is a form of taxation, resorted to by government as a means of obtaining revenue. When the activities of government become so expensive that it is no longer politically expedient to obtain the needed revenue by direct taxation, inflation will be invoked. The whole historical record con-

[1] Private credit by no means is to be dismissed as an inflation device. However, government either condones or encourages those aspects of private credit which, like all inflation, temporarily aids some at the expense of others. At the very least, government fails to restrain them.

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firms this conclusion. *Inflation inheres in overextended government, and there is no remedy whatever except to shrink the activities of – and thus the expenses of – government.*

To answer the question – Are we headed for hyperinflation? – only requires that we answer the question – Are we headed toward the extension or the shrinking of governmental activities? The answer is clear: We are, as of now, politically committed to the further extension of governmental activities. All proposals from Washington confirm this. Unless the political design is reversed, we are hopelessly bound for hyperinflation.

Now, there isn't a single American who favors hyperinflation except one bent on the destruction of our economy. Many will advocate the increase of governmental activities, but they will not favor the inflation which the increased activities make inevitable. As they view the inflationary aftermath of their work they will all wail, "But, I didn't mean this."

Those who would keep America from the disaster of hyperinflation have but one course to recommend: *The outright abandonment of excessive governmental activities.*

Here, however, is the rub. Hardly anyone is willing to be specific and name the things that ought to be abandoned. Who, I ask, will publicly proclaim that TVA, compulsory social security, government housing, subsidies to farmers and to thousands of other groups and undertakings should be repealed – as of right now? Few, indeed.

Time for Reappraisal

Why this almost unanimous reluctance to be specific, to turn the spotlight on the only areas of political activity that will do any good? The reason is becoming increasingly apparent to me. Once government takes over the responsibility for any activity – the delivery of the mails, for example – it becomes a sacred cow, so to speak. Why this sacredness? Because it is an officially proclaimed commitment. And, what honorable man isn't reluctant to recommend the breaking of a commitment?

We need to take a new look at these commitments. What if they are evil? Suppose, for instance, that we had traditionally condoned cooks and housemaids stealing from the home larder as a means of compensation? Would we hesitate to recommend that the practice be stopped? On the contrary, we would probably attack the practice with some fervor.

Here is my point: Until more of us understand better than now

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what is and is not the proper function of government; until we know that government, too, can do evil; until we can identify and explain what specifically is evil, and why; until then will we hesitate to do anything worth-while toward keeping our country free from hyper-inflation and disaster. Let's take a fresh look at government in that light.

Backed by Police Power

What distinguishes an individual as a private citizen from the same person as an agent of government? Is it other than this: An agent of government is formally, officially, and, quite properly, in league with the police power. Let the police force backing be removed from any public servant – an agent of government – and he is, presto chango, a private citizen again.

Private citizens Hoover and Truman differ from President Hoover and President Truman by virtue of their altered relationship with society's police force. The same can be said of the difference between Mayor Bowron and Mr. Bowron or Congressman Buffet and Mr. Buffet. Once they were associated with the police force; now they are not.

Consider the significance of this altered relationship. When men organize a collective to accomplish certain aims, and succeed in getting the police force behind their collective, they bring into existence the social structure we call government. Their resolutions become decrees. When they resolve that you and I shall be hung for murder or go to jail for stealing or be fined for speeding or pay the deficits of TVA or build public bath tubs for camel-riding Egyptians or guarantee the income of farmers, we obediently respond – or else reckon with the police force! Government, properly so-called, can never be reduced below two elements: a collective affixed to a police force.

Imagine, for example, all government personnel – federal, state, and local; legislative, executive, and judicial – organized exactly as they now are but without any police force backing whatever. Their pronouncements would be reduced to those of private citizens; merely advisory, not compulsive. Without the police force their resolutions would be on a par with those issuing from a chamber of commerce or from the League of Women Voters. They might resolve that all of us should donate to the prosperity of farmers, and their resolution would have no more compulsive weight than an advertisement urging us to buy a certain brand of beans. It is the absence of the police force backing which

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explains why Mr. Truman's current deliverances, for instance, are taken so much less seriously than were President Truman's pontifications.

In sum, it is only when a police force is affixed to a collective that government exists.[2] Therefore, it is the police force element which is the essential, distinctive feature of government. To determine what government ought to do, then, would seem to require nothing more than a reasonable determination of what the police force ought or ought not to do.

The Clenched Fist

But first, what in essence is a police force? When correctly defined, is it anything more or less than the *striking power* in each of us organized into a collective striking power? Striking power can be symbolized in its most rudimentary form by the clenched fist. More advanced symbols would be billy clubs, knives, guns, submarines, fighter planes, atom bombs.

Examining striking power in its simplest form, what can the clenched fist accomplish? It can hurt or punish; it can penalize, restrain, inhibit, destroy. What, in good conscience, ought to be punished, inhibited, destroyed? Violence would appear to qualify. So would fraud, thievery, misrepresentation.

What can the clenched fist not accomplish? It cannot discover, invent, produce, create. Nor can its striking power cause others to discover, invent, produce, create.[3] It is, by its very nature, a repellent or defensive, not an attractive or creative, force.

Consider man's energies. They manifest themselves either destructively or creatively. What defensible code will deny that any individual has a moral right to inhibit the destructive actions of another or others? And, what defensible code will assert that any individual has a moral right to use his striking power against the productive or creative actions of another or others. Isn't it plain that a repellent force cannot be made to create, that it has only this inhibitory quality?

[2] Corporations and trade associations are collectives. However, they are voluntary collectives if all police power elements are absent. In this case they are not governments. Labor unions are also collectives. If they obtain the backing of a police force, be it the official constabulary gained through laws or be it their own mob in violent action, they are, in fact, governments.

[3] This striking power does not *produce* a TVA or a housing project, for instance. It merely gives the appearance of producing something. Looking through the "magic," one sees a transfer of "choosing power." Your and my freedom to choose what is to be done with the fruits of our own labor is taken from us and the say-so bestowed on others. These others may choose a TVA or a housing project or whatever.

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A police force, it would seem, is nothing but organized striking power employed by a collective. It has no features to distinguish it from the striking power of the individual beyond size, power, and organization. It is merely the clenched fist multiplied, mechanized, organized, and embellished with titles, uniforms, and other trappings. *Its proper boundaries of action are derived from and prescribed by precisely the same principles that pertain to the individuals who compose and organize it.* The individual has the moral right to inhibit the destructive actions of another or others. Morally, his striking power is limited to this right. This right is in no sense widened by two or any other number of individuals combining and organizing. Or, so it seems to me.

Those who argue to the contrary – who contend that the collective striking force is morally warranted in extending itself beyond the area consonant with individual rights – must, if their contentions aren't to be groundless, point out the source from which any extra rights derive. If not from the individual, then, from whom or what? Surely, not from God as the divine-right-of-kings theory had it! Are not rights, such as the right to life and the right to sustain life, exclusively vested in the individual? No right, any more than immortality, is to be ascribed to an abstraction, organization being no more than this.

The Right To Defend

We often hear that government – a collective linked to a police force – has the function of doing for individuals that which they cannot do for themselves. This is correct in a sense, but is open to easy misconstruction. The individual cannot protect himself against pirates or mobs or organized thievery or countless other forms of destructive actions.[4] Government should do for all of us *that which we have a right to do,* but cannot do, for ourselves.

However, we have no right as individuals to use striking power against the productive or creative actions of others for the purpose of feathering our own or anyone else's nest. By the same token, we have no rights collectively to use striking power for these purposes. To use a not too far-fetched example: At this juncture in our development we probably would not freely donate enough funds to build a missile that would photograph the other side of the moon. There are among us some persons

[4] See my *Government: An Ideal Concept* (Irvington-on-Hudson, N. Y.: Foundation for Economic Education. 1954, pp. 33-107.

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who want this done. They lack the resources to do it themselves. Therefore, they call on the constabulary to forcibly take the fruits of the labor of others in order to gratify their wish. All subsidies and all federal grants-in-aid, whether to farmers or businesses or to communities or to foreign countries, fall into this category – a misconstruction of the idea that government should do for us that which we are unable or unwilling to do for ourselves.

Immoral Use of Power

Police-ism – police power run riot, the uneconomic and the immoral use of striking power – is man attempting to usurp the role of the Creator on the grand scale. Police-ism – government out-of-bounds – known popularly as state interventionism, communism, socialism, nazism, fascism, Fabianism, the Welfare State, the planned economy, the new deal, the fair deal, and so on, features the private gain of some at the expense of others. Its advocates are in all walks of life, ranging from seekers after office or after welfare or after prosperity to clergymen who have lost their faith in brotherly love. It is, in my view, the most glaring sin of our age and it accounts, more than anything else, for the social disintegration now so easily observable in every "civilized" country.[5] Further, these uneconomic and immoral uses of striking powers within nations account for the insane employment of striking powers between nations – wars!

Let's assume that we agree on what is the proper use of striking power: only for defense against destructive force; never for interference with productive or creative actions, individually or collectively, with the fist or with the police force. Would this agreement on principles resolve all of our social problems? Of course not! Our judgments vary greatly. It would be difficult in many instances to agree on whether certain actions were destructive or creative. Yet, having an ideal, general principle as a common point of reference would help to direct our energies and our thoughts toward the ideal. We would more likely demand the same moral rectitude of our collective actions as we insist is proper for our individual actions. We can hardly expect to behave better collectively than individually. Yet, there isn't much excuse for behaving worse.

Double standards of morality?

[5] It is said in Radhakrishnan's translation of *The Bhagavadgita* that sin is not the violation of a law or a convention but the central source of all finiteness: ignorance—that assertion of the independence of the ego *which seeks its own private gain at the expense of others.*

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Imagine American farmers personally robbing everyone from the Widow Doakes to Mr. Gotrocks, justifying the robberies on the grounds of being reimbursed for raising less food than they could. It is unthinkable. Yet, there is hardly a respectable segment of the population that is not urging the police force – the collective striking power – to do this same unthinkable thing for them. Thus, by failing to apprehend a principle, we descend deeper and deeper into police-ism, the final stage of which is dictatorship. "Dictatorship," according to Lenin, "if scientifically considered, means neither more nor less than unlimited power resting directly on the police, not limited by anything; not restrained by any laws, nor by any constitutional limitations of any kind."

Certainty of Retribution

Most of us realize, deep down in our hearts, that error brings its own retribution. Nor does ignorance absolve us in any measure. One who is unaware of gravitation and jumps off the Empire State Building hits the pavement no less resoundingly than does one who jumps and knows.

We believe it to be immoral to advance our own private gain by thieving from others. We would expect penalties in some form – social, like being put in jail or personal, like a loss of self-respect. Now, legalizing the process in no way alters its morality nor the certainty of retribution. Yet, after years of legalized plunder, few of us discern any penalties for our political waywardness. The popular chant, "We have never had it so good," seems only to say, "At last, we know how to do wrong and to get away with it."

It is naive, however, to assume that retribution for wrong appears only in forms that are obvious. If Cowper was right in saying that "God moves in a mysterious way his wonders to perform," it is equally valid to assume that he moves in a mysterious way his penalties to inflict. It is absurd to acknowledge the former without any expectation of the latter.

Excessive governmental activities may for years give outward appearances of making us healthy, wealthy, and wise. However, those actions which have really been wrong must be building up quite an account on the retributive side of our economic, moral, and social ledger. The fact that most of us haven't taken the pains to look for this page in the ledger doesn't mean that it isn't quietly – almost secretly – recording the data for later reference, for balancing the accounts. As I look at this page, I see material retribution taking the

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form of a thinner and thinner circulatory medium – a progressive economic anemia!

The only cure for this dread disease is to withdraw governmental interference from the productive and creative activities of people. The first step is for responsible citizens to identify activities of this sort which government has arrogated to itself and to explain attractively and persuasively why they should be returned to private enterprise. This will require the best – nothing less – that each of us has to give. • • •

Instead of pump-primed prosperity, it may be only a choice between –

BREAD OR POST OFFICES?

OSCAR W. COOLEY

WASHINGTON (AP) – President Eisenhower, moving to shore up the slumping economy, sent to Congress today a two-billion dollar program to modernize post offices and postal services.

DURING A RECESSION like this, many people retrench all along the line. Dad makes the old suit do another winter. Mother redecorates the living room instead of hiring a paper hanger. They patch up the old car. They eat less steak, more beans. The whole family tightens its belt.

And the government gives the people a lot of new post offices!

Doesn't it seem a bit queer to give threadbare, hungry, retrenched people a post office? Or a courthouse? Or even a brand new sewer?

Actually, the government does not *give* these post offices. They all have to be paid for, with taxes collected from the recession-beset

Mr. Cooley is Assistant Professor of Economics at Ohio Northern University.

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people, either directly or through the insidious process of inflation. The people really build the post offices with their own sweat, at a time when they are already straining every nerve to put food in the larder.

When a carload of bricks is taken to build a post office, it means that people have a carload fewer bricks with which to build homes. "But, they are not building the homes," runs the argument. "That's why we have a recession."

If the people are not using the bricks to build homes, it means they are using, or reserving, them for other, more urgent purposes – which should be their privilege in a free choice system. In a free economy the people use the resources according to their own best judgment. The very fact that the government acts to force these resources into a certain use, is evidence that such use is not the one most desired by the people. It is a second or third or umpteenth preference. The right of property, which is the right of using a resource as the owner desires, is denied. And the resources are wasted.

The objective of the government officials is to put people to work, regardless of what they do, as though there were some virtue in mere activity, whether or not it yields results that people want.

The assumption is that the people are stupid. Because of their stupidity, we have a recession. They need to be told what is best for them. They think they need food and clothing and a new automobile – but what they really need is a new post office!

This they have to be told – by government officials, who differ from ordinary people only by reason of their being in office.

So, let's pull in our belts another hole and go down town to see the new post office. They say it's a dandy! • • •

IDEAS ON LIBERTY

A Precarious Life

ANY COMMUNITY which depends for its economic growth upon the whims of succeeding Congresses is in economic jeopardy. Someday, the taxpayers might say "no," and then where is the life of that region which has become wholly dependent upon federal help?

From an address in 1955 by CLARENCE A. DAVIS, Under Secretary of the Interior

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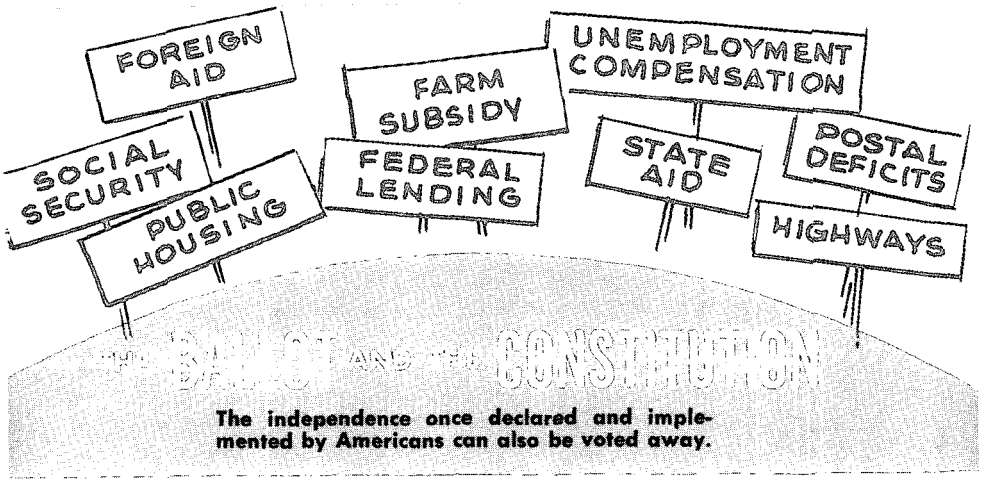

H. E. SPITSBERGEN

THE CONSTITUTION of the United States does not describe the requirements for voting. It was assumed that the state requirements would continue, which limited the privilege of voting to citizens who owned property (freeholds) and who had certain academic attainments. About one person in twenty could qualify.

The limitations were grounded on the elementary rule that voters have adequate knowledge of the subject matter, a common interest, and equal responsibility. Strict observance of that rule is necessary to maintain the proper checks on public sentiment, voting majorities, and the taxing power.

Open and unrestrained competition was relied upon to meet the demands of commerce. Under such a free enterprise system a new social order evolved. Servants, slaves, and the indentured acquired property and education. They qualified for the franchise. They exercised their own judgment, energy, and integrity to build economic security and freedom from dependence upon government for the necessities of life. A Federal Welfare Bureau would have been rejected.

At that time the ballot was not tied to welfare legislation. Farm subsidies, unemployment compensation, public housing projects, were not being offered. There were no billion-dollar programs to sway or bribe the voters. They were on equal footing as to benefits and responsibilities.

Subsequent social welfare legislation broke the rule of equal responsibility, making voters eligible for government benefits without corresponding taxpaying responsibilities. That gave the fed-

Mr. Spitsbergen (Plowdeeper) is the author of "Liberals" and the Constitution. *This article is from a radio broadcast of April 5, 1958.*

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eral politicians a new constituency. The overwhelming voting majorities now were to be found among the irresponsible, the dissatisfied, the jobless, the misinformed, the ignorant, and the unscrupulous.

It was not intended by the Forefathers that the Ship of State should be directed by those groups. Human beings under such conditions of strain and stress do not exercise the best kind of judgment. Neither was it intended that the politicians – also human beings – should be subjected to such pressure, or be in a position to take advantage of it.

By vote of these irresponsible majorities, the government was changed, with adverse effect on such inalienable rights as free speech, the ballot, an independent judiciary, and private property.

Paralyzing Free Speech

Free speech – the primary check on political corruption – is seldom abolished by laws which declare that purpose. The abolition is likely to occur through welfare legislation which, of course, does not mention free speech. But the possibility of losing welfare benefits instills enough fear to discourage criticism of corruption. In fact, it will excite unstinted praise of such conduct, so that it becomes futile to call attention to the corruption or the evidence of impending collapse, dangerous to interfere with the benefits. And so long as there are benefits, the voters and the politicians will make themselves believe that what they are doing promotes public welfare. The ballot instead of being a retarder becomes an accelerator of political corruption.

The most demoralizing aspect is that the citizens who do not want to be dependent upon government find themselves forced into the same category as the unscrupulous, shiftless, and thriftless. They represent a minority. Their protests are ignored and their ballots are without significance. Under a vicious application of majority rule they have, in fact, been relatively disfranchised, notwithstanding the Constitution and statutes to the contrary.

Under such circumstances free speech cannot survive, ballot integrity is destroyed, and economic security is a mirage.

Ballot-Created Court Perversion

Under the present social legislation, ballot pressure seriously impairs court independence. It requires the judges to solve problems relating to prices, wages, hours of work, management of business, and social revolutions. Every decision in these areas takes effect in the political realm and brings the judges under political control.

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If the judges uphold the Constitution, the government's political social plans are thrown into confusion. A decision that a farmer need not comply with a government imposed quota, or an adverse ruling on a labor matter, may result in party-shaking political repercussions. Even one decision can antagonize enough voters to defeat the party in power – and the judges. Every aspect of business is now afflicted with political overtones.

The voting majority drives congressmen to enact unconstitutional legislation. The President, confronted with political expediency, concurs. The responsibility is shifted to the courts. The judges do not care to antagonize the President, Congress, public sentiment, and voting majorities. But even if they did declare the legislation unconstitutional, it would be re-enacted. They, therefore, sustain the legislation. Could a more unconstitutional or security-destroying concept of government be devised?

Confiscation by Ballot

It is an ancient theory that the demands of the needy override private property rights and that the government may tax until all economic needs are satisfied.

With such theories the federal government has built up a frankenstein of voting majorities, and under the guise of taxation, has brought income, property, and industry under political control. It is in a position to confiscate all wealth in the name of security. Today, even a threat of a depression brings to Congress a load of bills which tend in that direction.

Citizens are taxed on the theory that the government is authorized to invest, speculate with, and "save" their money to keep them economically secure; that it may give their money to so-called friendly nations to help "contain" unfriendly ones; that it may obligate them to support the needy at home and abroad, and, moreover, may tax them on the ground that they have more than they need or are entitled to – taxation imposed for speculation and so-called moral purposes.

Under elementary law, as well as in common sense, the relationship of a government official to the fund in the Treasury disqualifies him to collect or disburse tax money for such purposes: legally, because of his lack of financial responsibility for misconduct, mistakes, waste, or poor judgment; in common sense, because one does not even give a friend such unlimited spending authority.

Yet the politician, in spite of the record, has persuaded responsible persons to believe that to give

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him such unlimited taxing authority will serve public welfare. The idea controverts every principle in the Constitution, and has never failed to destroy the nations which accept it.

It appears that the money in the Treasury (a most sacred trust fund) is the only fund where the beneficiaries can force the trustees (congressmen) to make the benefactors (taxpayers) destitute; and the trustees can dissipate the fund without any limitation on their judgment with respect to investing it, speculating with it, or using it for charitable purposes.

There is the further objection that this leaves a minority of the citizens without protection. Congressmen cannot recognize such minority rights and continue in office. The President, for the same reason, cannot give ear to their cry. They have no standing in the courts. Judicial assistance would interfere too much with the political objective of capturing a majority of the votes.

Today, under ballot pressure, the government invests the citizen's tax money in schemes, including mortgages, which disregard the most elementary banking rules; it calls upon him to subsidize corporations, farmers, and unions to such an extent that what is produced is priced out of the market, piling up surpluses which brew political friction abroad and bespeak catastrophe at home. Such coddling of those with poor records discourages and penalizes integrity and efficiency.

These policies now confront the government with a dilemma. If it discontinues buying the surpluses or disregards the demands of labor, it will go out of office. If it continues its present course, the ever-increasing debt and foreign trade invasions will overwhelm it. Politicians blame the wars. But the wars, cold and hot, are the offspring of the welfare state concepts of government. Such policies make it easy to discredit our constitutional form of government not only at home but also in the eyes of foreign observers.

Developments such as mass production, improvements in communications and travel facilities, investments abroad, depressions, congested industrial areas, big corporations, and the conquest of outer space, do not call for surrender of political or commercial independence, nor for the impairment or abandonment of provisions wisely designed to keep in their proper sphere judges, legislators, presidents, states, and voters. Let us remember that our Constitution was written when economic distress was more acute than it is now and when foes were more threatening. • • •

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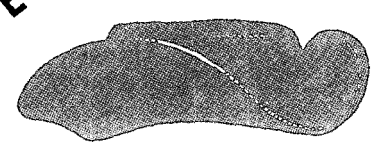
THE EARLY QUAKERS



AN EXPERIMENT IN FREEDOM

An account of how a minority can help itself, and everyone else concerned.

FREDERICK WALKER

THE POSSIBILITY that a minority will satisfactorily work out its own affairs, if allowed economic freedom, is seldom tested today; yet that is exactly what the early Quakers did in Great Britain. The Religious Society of Friends originally faced almost unanimous hostility from the ruling classes. The early Quakers were mercilessly persecuted by the established church and the Puritans. Many were imprisoned, and their property was seized or destroyed by the government because of their refusal to take oaths, their resistance to the imposition of tithes, and their insistence on freedom of worship.

Despite religious and social ostracism, and restraint and persecution by the State, the early Quakers went their quiet way and flourished. This was possible at the end of the seventeenth century in England because economic freedom prevailed in large areas of the national life. The industrial revolution had begun, and the world of commerce was expanding. Because of their refusal to take oaths, the Quakers were barred from government service, the learned professions, and the universities. Their peace testimony prohibited service in the army or navy. Trade and industry were open to them under conditions which were free; and the beneficial results of their economic lives are still felt in Great Britain.

The Quakers believed in a life unmolested, with a kind tolerance toward others. To this way of life their small minority dedicated themselves, and through energy, honesty, and native ability soon achieved a prosperity and influ-

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ence far beyond the usual accomplishment of a numerically limited group. Drawn into a life of trade by the restrictions which barred them from other occupations, the early Quakers used to full advantage the free market of their day to contribute substantially to the commercial prosperity of Great Britain at the time of its greatest growth. Their history proves that, if economic freedom exists, any minority with energy, intelligence, and dedication can prosper despite well-organized and popular opposition.

Honesty in All Matters

Quakers are generally credited with the introduction of uniform pricing. Their one-price system, without discrimination according to the status or class of the buyer, won the confidence of the public, greatly speeded the processes of trade, and brought Quaker tradesmen a large portion of the retail business. They were respected for their honesty in all matters, including business transactions. Quakers who did not keep their word were the concern of their fellow religionists; they were quick to disown any impostors attempting to trade as Quakers.

Expanding trade practices soon led to participation in industry. They became leaders in iron manufacturing, for it was a Quaker who devised the smelting of iron ore by coal instead of wood and made possible the expansion of the industry. Quaker pre-eminence in iron manufacturing continued until increasing use of iron in armaments barred their producing for that purpose. Quakers built the first iron bridge and financed the first railways. They were active in copper and lead mining and in brass manufacturing.

Far-flung operations were conducted by Quakers in diverse industries: weaving and textiles, shipping, pottery, pharmaceuticals, scientific instruments, and clockmaking. Their widespread reputation for probity led many people to deposit their savings with them for safekeeping at a time when banks were virtually nonexistent. This factor, along with the increasing need for banking facilities in their own business operations, brought Quakers into the banking business. During the eighteenth century, when Britain was the banking capital of the world, most of the major banks were Quaker founded and controlled. The history of Barclays, Lloyds, and other great institutions demonstrate Quaker banking enterprise.

A contemporary example of Quaker business operations is the British cocoa and chocolate industry dominated by the well-known

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firms of Cadbury, Fry, and Rowntree.

The early Quakers were predisposed by their philosophy and experience, not only to take advantage of the free market open to them, but also to oppose all trade restrictions. Special privileges and state prerogatives were the possessions of their oppressors. The Quakers, as believers and practitioners in the spirit of freedom, would not seek special rights at the expense of others. The economic history of the early Quakers clearly demonstrates how the peaceful pursuit of personal interests in the free market harmonizes with and contributes to the national welfare. The primary concern of Quakers is voluntary action. Involuntary and coercive acts and restrictions by the State are resisted by them as antithetical to the spirit of Quakerism.

It is true that certain trade restrictions were practiced by the early Quakers, but these were voluntarily self-imposed and not matters of governmental interference. Their peace testimony kept them from armament manufacture; their growing concern over slavery removed them from connections with slave owning, slave dealing, and even the products of slave labor; they refrained from engaging in businesses which were questionable in the light of the principles of the Religious Society of Friends. Quaker records are filled with examples of people deliberately restricting their businesses because increasing prosperity interfered with spiritual objectives. Anyone who did not accept such procedures was free to withdraw from the Society of Friends and continue on his own.

Voluntary Efforts and Funds

In social actions the early Quakers also practiced freedom. The Society of Friends provided for poor, unfortunate, or sick members without recourse to the government for aid; supplied capital and counsel to help young members get started in business or trade; maintained schools and educational programs; established hospitals, institutions for the mentally ill, and homes for the aged; and accomplished all of this by voluntary efforts and funds, not with money levied from the taxpayer nor by "social" legislation imposed by the State. Many of these efforts were pioneering ventures long afterwards copied, and then perverted by compulsion, in the name of the Welfare State.

Early Quaker history proves by all kinds of results that freedom is a very practical matter. A philosophy of freedom, an openness to innovation, a willingness to experiment, led them to outstanding

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achievements in economic life despite the smallness of their numbers and an unrelenting public hostility at the time of the foundation of their Society. They demonstrated to the world that, with a free market available, they were able to arrange and carry on their lives in a most substantial and satisfactory manner, even in the face of State and Church opposition which threw thousands of them into prison, caused innumerable deaths, and often brought economic ruin.

Above this unconscionable opposition the Quakers moved in their quiet ways until they commanded respect, prosperity, and the right to live unmolested. As a result of their inner dedication and their beliefs in freedom, concern for their fellow men, and the full use of the economic freedom available, they triumphed. Their record is a light to the inquiring spirit today when freedom everywhere is being threatened and enveloped. What the early Quakers did shows what can be done again if men will have faith in freedom and put it into practice. • • •

THE MARRIAGE OF THE FARMER'S DAUGHTER

FREDERIC BASTIAT (1801-1850)

THIS is the story of a poor peasant in France [in 1846], and the effect that the tariff had on his attempts to provide an adequate trousseau for his daughter.

This particular peasant had planted a few grape vines of his own. After much sweat and time, he harvested enough grapes to make a cask of wine. "I shall sell this wine," he said to his wife, "and buy enough material to enable you to make a trousseau for our daughter."

Our honest peasant took his cask of wine to the nearest town. There he met an Englishman and a Belgian, and began to bargain with them about exchanging his wine for cloth.

The Belgian said, "Give me your wine, and I will supply you with

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15 parcels of the material you want."

Then the Englishman entered the bargaining with this offer: "Since we English can manufacture cloth at less cost than the Belgians, I will give you 20 parcels for your cask of wine."

The peasant was about to sell to the Englishman when a customshouse official, who had heard the conversation, spoke to the wine owner: "My friend," he said, "trade with the Belgian if you wish, but I have orders to stop you from trading with the Englishman."

"What!" exclaimed the astounded countryman. "You wish me to be content with 15 parcels of material that come from Brussels when I can get 20 parcels that have come from Manchester?"

"Certainly," answered the customshouse official, "don't you understand that France would suffer if you received 20 parcels instead of 15?"

The peasant answered, "No, I don't understand it at all."

"Well, I'm sorry I can't explain it," replied the customshouse official, "but there is no doubt that it's true. You see, all our government officials and journalists have agreed that the more a nation receives in exchange for its products, the more it is impoverished."

Thus because of the French tariff against low-cost English textiles, the peasant had no alternative but to trade his wine for high-cost Belgian textiles. As a result, his daughter got only three-fourths of her trousseau. And those unsophisticated countrymen are still wondering to this day how it happens that a person is ruined by receiving four yards of cloth instead of three. They still don't understand why a person with nine towels is richer than a person with twelve. • • •

Translated by Dean Russell from *Selected Works of Frederic Bastiat*, Volume 1. Paris: Guillaumin, 1863. pp. 62-63.

IDEAS ON LIBERTY

Winston Churchill — 1903

THE FINISHED PRODUCT of one trade is the raw material of another. By placing taxes on any of these commodities to raise their price, you may indeed for a time help this trade or that trade, but it will only be at the expense of this or that other trade, and to the impoverishment of the general consumer. You may by the arbitrary and sterile act of a government . . . put money in the pockets of one set of Englishmen, but it will be money taken from the pockets of another set of Englishmen, and the greater part will be spilled on the way. It is the right of robbing Peter to pay Paul, and charging the public a handsome commission on the job.

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THE CATASTROPHE OF Confusion

E. MERRILL ROOT

EVERY ERROR in action begins with a fallacy in philosophy.

Let us trace juvenile delinquency from the roots of intellectual confusion to the fruits of social catastrophe.

One can scarcely open a paper without reading of some unholy little tyke who has just shot his grandmother because she graciously asked him to help with the family chores. In a single issue of a paper, just a little while ago, I read of a youngster who had liquidated his father because his dad had asked him to mow the family lawn; and of a second boy who hanged himself because his allowance of four dollars a week was not enough to buy him cigarettes.

Now such actions, worse for the teen-agers involved than for the adults who involve them by the fallacies of their teaching, are the logically inevitable result of the prevailing social philosophy of the last three or four decades — the philosophy that we have a "right" to everything and a "responsibility" for nothing. As Christ knew, if you assume that you can reap figs from thistles, you must not be surprised to find your hands full of thorns.

Let us look at some of the social axioms that help to condition youth into fallacies of philosophy and error in action. The prevalent social fallacy has been that all individual evil has been caused by "social conditions"; if "conditions" are changed, the evil will disappear. Juveniles go bad because they live in "slums," because their parents are "poor," because they are "underprivileged"; if you put families in housing projects, raise their wages, give them "social security" and "economic privileges," you will automatically make Johnny a good boy.

This, of course, is pure economic determinism. Moral standards, a sense of responsibility and honor, religious faith, an allegiance to a Kingdom not of this world, are not necessary and indeed futile —

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this social philosophy says. The seeds you sow, or the weeding you do, are unimportant; the only necessity is to heap fertilizer on the land (especially synthetic chemical fertilizer), and the good grain will grow. The modern economic determinist has never seen – and does not want to see – the acorn that falls into a cupful of earth on top of a boulder, yet grows and splits the boulder and lifts its might into the century-scorning oak!

You can scarcely talk to students just out of contemporary high schools without discovering that these axioms of social conditioning and economic determinism are uncritically wedged in their heads. Is it any wonder that such fallacies in philosophy lead to errors in action?

The All-Important Family

Judge Samuel S. Liebowitz, a distinguished jurist of King's County, New York, said recently that on the basis of his observations at home and abroad he considered the family the "all-important weapon" in combating juvenile delinquency. "We could build playgrounds on every corner and dot the landscape with camps," he said, "but we couldn't make an appreciable inroad on juvenile crime without family guidance."

Such is the fact-founded and spiritually wise diagnosis of an outstanding mind. But our sociologists and psychologists by their questionnaires often incite doubt and even hatred between parents and children, and question the family while they uphold the Big Brother of the State. And the fallacy that economic determination – that social and economic environment – must condition and determine, and that individual responsibility and vital determination are unimportant, is prevalent everywhere. Where is there the same realization that an increase of wealth, instead of satisfying the desires of youth, tends to increase their predatory instincts?

On the contrary, educationalists tend not merely to ignore but to oppose all attempts to enhance the moral and spiritual training of youth. It has been reported that by a vote of 6 to 1 last fall the school board of the village of New Hyde Park, Long Island, agreed to post in the classrooms of its elementary schools a version of the Ten Commandments. This was carefully phrased to avoid any peculiar religious instruction or to offend any faith or church. Yet New York State Commissioner of Education, James E. Allen, Jr., forbade this, ruling that "the display of an item which cannot be freely explained or discussed is unsound educational practice."

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Thus the use, in education, of classic and world-reverenced moral and spiritual wisdom is prohibited in the State of New York! What wonder that juvenile delinquency, based upon the free teaching of economic determinism and the prohibition of spiritual determination, grows like weeds in a garden where synthetic fertilizer is spread, and good seeds are not sown, and hoes are prohibited.

Attack on Private Property

Take a second social dogma (and fallacy) that helps to cause error in action. "Social idealists" constantly attack "private property" and uphold "collective ownership." This, they say, will lead to a truly social use of resources, to cooperative and gracious action, to brotherhood and happiness. If "all" equally own and share property, individuals will be happier in its use and more gracious in its preservation. This, of course, is based upon an ignorance of human nature. Those who wander state-owned land scatter papers when they eat their lunch, toss lighted cigarettes down carelessly, and in general treat the use of property as a "right" but never as a "responsibility." Only private ownership leads to love, to care, to wise and thoughtful use. That is simply human nature.

Take the flagrant example of the fact that public ownership does not lead to happy use or gracious care of "collective" property. What is less "private property" than a public school? What is more idealistically devoted to the group or the community as a whole? Yet if there is no training in the rights of property – private property first of all – will even public property be safe? The answer is sadly clear. The City of Dayton, Ohio, is a highly cultured community with some of the finest schools in the country and a very high standard of living. Yet in the City of Dayton the problem of public property, the problem of the preservation of its schools, is serious.

The *Dayton Daily News* (a quite liberal paper) for July 19, 1957, reports that teen-age vandals, the captive victims (they think) of the educational masterpieces of the finest schools, ran amok in fantastic riot, "just" (in their own words) "for the hell of it." The article says:

"Just this month, a gang of boys tossed rocks through the Huffman school windows at the same time workmen were replacing panes broken in a previous stone-tossing binge.

"Youngsters like these smash 6,000 to 8,000 Dayton school building windows a year. They've been going at that rate for the last three to four years now, and the annual

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replacement tab runs to $24,000. . . .

"Vandals also do other things to schools beside break glass. Things like running a fire-hose inside Cleveland school all night and causing thousands of dollars in damage. Like climbing on the roof and filling vent pipes with gravel. Like touching fire to a storage room at Whittier school and causing $3,000 damage. Like hurling ink bottles and art paint containers against walls. Like breaking into food storage areas and smearing catsup and mustard over desks and walls."

Such is the way that, in one of our most civilized and cultured cities, young people act toward public property.

Why do they so act? A clear reason, surely, is that once a reverence for property – private property and so public property – a sense of responsibility, and a standard of moral right were successfully taught. But the modern "social" emphasis makes a falsely antithetical contrast beween "human rights" and "property rights," as if property rights are not necessarily human rights. If property is scorned and attacked, how can hasty youth distinguish between "private" and "public" property – and what reverence or care will youth have for any property? The senseless vandalism, "just for the hell of it," that smashes windows, fills vent pipes with sand, turns a fire-hose loose in schoolrooms, or splashes ink, paint, catsup, or mustard over the walls, will be a natural result. If "property" is something to be treated as the group wills, and perhaps something evil in itself, why not use it as you will?

The Social Gospel

Has anyone noticed the strange paradox that indicates a fundamental falsity in our thinking? The prevailing philosophy of the last three or four decades has stressed the "social" – history is now "social studies" – education is designed to make young people "social-minded – religion is to lead to "social justice." We have had three to four decades of an education that agrees wholly with Adolf Hitler, who said: "True idealism is nothing but subjecting the individual's interests and life to the community."

But what has been the result of this emphasis on the social? The upsurge of the most asocial or antisocial groups that we have ever known in America!

The catastrophes of the modern world began with the confusions of the modern mind. Relativism, economic determinism, intellectual nihilism (i.e., the assumption that a spiritual void or nothing

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underlies the material phenomena of the world), collectivism as an ideal, becoming social coercion in practice, are fallacies. Therefore, a society built upon the quicksands of such axioms and postulates will, with logical inevitability, collapse through debacle into ruin – like all that we build upon a lie. The absolutes of truth, right, and beauty; the energy of vital determination; the intellectual assurance that the visible universe is based upon invisible spirit; the self-reliance of the heroic individual whose little life is founded upon the great Life of God: these are realities. Therefore, a society founded on such axioms and postulates will, with vital certainty, stand firm on the planetary granite of truth.

But relativism, economic determinism, and intellectual nihilism have been and still are the favorite social dogmas of the day – in the "free" West even more than in communist countries; and they all, by their disintegrating and lethal effect, weaken us against, and prepare us for, collectivism. How can we understand and withstand even the horror called communism, when relativism, economic determinism, and intellectual nihilism have subverted our faith?

The fallacies of our philosophy are most lethal for youth. Youth, generous in its idealism but immature in its realism, is easily precipitated – by its own zest and enthusiasm, or by its own dreams and desires – into confusion in thought and calamity in action. At its best, through its idealism, it can be misled into a support of cruel men who parade ideals of peace and social justice in order to win their own sordid power over a world they made their satellite; at its worst, through its dreams and hot desires, it is misled into asocial or antisocial action because it is taught that it has a "right" to grab and get, but no "responsibility" to build and give.

The errors in action are factual, clear, and certain. Is it not time that we eradicated the fallacies in philosophy that lead to them?

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IDEAS ON LIBERTY

Truth or Consequences

For whoever habitually suppresses truth in the interests of tact will produce a deformity from the womb of his thought.

B. H. LIDDELL HART, *Strategy*

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RUSSIA FACES Food CRISIS

Socialism's offering — and warning — to those who would eat.

LAWRENCE SULLIVAN

WHY IS MOSCOW so frantic for an immediate summit conference? Chiefly because the communist food crisis is critical. A gaudy conference with top leaders from the lands of plenty is demanded urgently to restore the sagging prestige of the Kremlin planners in the eyes of their own people.

Unless Moscow can do something spectacular before winter to improve Russian nutritional standards, an explosive food situation will confront the entire communist world, in both Europe and Asia. Diplomats currently are watching the communist food supply more closely than at anytime since the Bolshevik Revolution of 1917. Communist agriculture has failed for forty years to keep abreast of Russian population growth.

In Russian money today, the average Soviet factory hand must work three hours to earn one dozen eggs. Translated into American wages, this means that eggs in Moscow are selling at $6.30 a dozen in New York equivalent.

Slovenly tailored woolen suits in Moscow sell for fourteen-hundred hours of labor at current Russian wages. Translated into American wages, the shoddy woolen suit in Moscow costs the New York equivalent of $2,940.

A pair of shoes in Moscow requires 62 hours of factory wages, which is the same as shoes at $130.20 a pair in Chicago!

These examples, from a U.S. Department of Agriculture study published in November 1957, on the fortieth anniversary of the Bolshevik Revolution, summarize the acute crisis in Russian farm production.

Upon his return from a Russian tour last November, Senator Allen J. Ellender of Louisiana reported: "Many Russian people today have only black bread, cabbage, potatoes, beets, and a pot of tea."

Reporting on his 10 years in Russian slave labor camps a re-

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turned American prisoner, John Noble, declared: "The Soviet Union is a land of shortages and hungers. The country is insufficient in all respects, in food and industry. There simply isn't enough of anything to go around."

Prisoners in the Arctic slave labor camps have denuded the countryside even of its dog population, Noble reported: "Dog meat, I found, has a taste all its own, but if anything, it is softer and tastier than beef. In all, the doctor and I ate up two dogs. The pieces, kept hidden in the snow, fed us for months."

Noble reported between 25 and 28 million men and women in the Russian slave camps as of mid-1954. The weight of some 100,000 slaves in the infamous Vorkuta camp ranged from 75 to 115 pounds per man. (Normal Europeans would average 168 pounds.) "Our teeth rotted from lack of vitamins."

An Abundance of Needs

The Department of Agriculture's World Food Survey for January 1958 estimated food production per capita this year in the free world at 4 per cent *greater* than the 1935-39 average, but the communist nations are still 8 per cent *below* their per capita prewar averages. Thus, failure to feed a steadily expanding population continues as the first challenge to world communism.

The National Industrial Conference Board confirms this picture with its own conclusion from a Russian tour by stating that "the emphasis given to heavy industry has left the bulk of the population of Russia with living standards that are woefully inadequate." Steadily mounting pressures for better living standards, both within Russia and all the satellite states, raise grave doubts concerning the survival of communism.

Before the communist revolution, Russia was a principal world exporter of wheat, but in 1956 the Soviets imported 15 million bushels of wheat from Canada and additional tonnages from Argentina and Australia.

Our own Department of Agriculture emphasizes that all the temperate zones in Russia already are under collectivist cultivation. There are no new lands available for corn and feed grains, as a basis for more meat and dairy products. Russia also is totally lacking in quality breeding stock. There is a great shortage and backwardness in refrigeration and processing equipment. Transportation is inadequate everywhere.

Russia's hunger crisis would have developed ten years ago, save for tremendous lend-lease ship-

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ments of food, farm machinery, and fertilizers during the war years. After the war direct food shipments from UNRRA sustained Russian nutritional standards at the bare subsistence level through 1948. For the years 1952-53 Russia, on her own for the first time since 1940, produced annually only 86 per cent of her 1935-39 average farm yield, as measured on a per capita basis. By 1957 this per capita food production had been advanced slightly to 92 per cent of the prewar average.

Hungry People Rebel

Harry Schwartz, Soviet affairs specialist for the *New York Times*, attributed the Polish and Hungarian uprisings of 1956 primarily to food shortages. "There also has been the smaller scale, but still interesting, armed revolt in Northern Vietnam," he told the Congressional Joint Committee on the Economic Report (page 37). "All of these are primitive expressions of the resentment of the people at the sacrifices they have been forced to undergo. . . ."

The urgency of the food crisis inside Russia was again underscored by Khrushchev's order last October which abandoned the old Stalinist collectivist tractor stations in favor of direct ownership of tractors by the state farms. In his address before the Supreme Soviet accepting the premiership, on March 27 of this year, Khrushchev devoted more than two hours of his three-hour speech to agricultural production and food distribution. But even here communism still was unable to grasp the core of the problem—lack of incentive under collectivism.

The Solution Is Clear

All the world sees clearly that the solution of Russia's chronic food crisis lies in a return to private ownership of land and production machinery, with production-for-profit as the powerful incentive to expansion. But that solution, of course, would entail complete abandonment and repudiation of all communism.

Even Khrushchev now recognizes that communism cannot deliver the goods. But nobody in the Kremlin yet has even suggested a practical solution within the terms of doctrinaire communist theory. Hence, a current political and social crisis of the first magnitude. Gnawing stomachs do not wait on refinements of Marxist theory. Clocking sputnik in its orbit, all the communist world still queries, "When do we eat?"

Moscow's successive five-year plans have emphasized industrial development at the expense of agriculture. Many city populations have multiplied by ten since the

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1917 revolution, but supporting farm acreage around the mushrooming cities has scarcely doubled. Baku had 150,000 population in 1917 and 1,000,000 in 1957. Novosibirsk had 60,000 in 1917 and 800,000 in 1957. Omsk had 160,000 in 1939 and 560,000 in 1957. Kuibyshev had 390,000 in 1939 and 800,000 in 1957.

In part, these new city masses have been supported recently by commandeered crops from the satellites of Eastern Europe. The great Danube Valley, for centuries the breadbasket of Central Europe, is today a land of rigorously collectivized hunger and want.

As Harry Schwartz told the Economic Joint Committee of Congress in December 1956: "The chief characteristic of economic management this past decade in Poland has been that men sent to run a particular field knew nothing about that field. This was particularly true in agriculture.

"The second reason is, of course, that the peasantry of Eastern Europe has, by and large, been opposed to collectivism. . . . The peasant's only possible resistance has been passive resistance. He simply did not do his job as well as he might have. So the really fundamental answer to what has happened to the Great Danube Granary is that the ills of communist management have so deprived peasants of incentive, and have so mismanaged agricultural affairs in Eastern Europe, that the countries like Rumania, Hungary, and Poland are today countries which badly need imported grain to feed their own people."

Collectivized Famine

On the other side of the world the same tragic story is told in China. "It is abundantly clear that the Chinese peasants hate the very idea of collectivization," the U.S. Department of Agriculture reported in December 1957. "They showed their contempt by such measures as slaughtering their livestock before they were taken away at ridiculously low prices or were confiscated outright. The very few who could, have fled to other countries. The hundreds of millions who remain know that if they produce more, the State will take more; that it is dangerous to have wealth and safer, if not more comfortable, to be poor. . . . For a country with limited agricultural resources, negligible surplus stocks and a rapidly growing population of 600 million, this could have the most serious implications.

"Moreover, floods and drought occur frequently, so with a population already living near the brink of famine, mismanagement of resources might bring about unparalleled disaster. Regardless, the

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Chinese communists are determined to build industry, and they intend to make the peasants pay the bill."

Nor does Khrushchev blink at the disaster now confronting the whole communist world. J. Edgar Hoover reports in *Masters of Deceit*, published in March 1958, that Khrushchev remarked flambuoyantly at a Moscow diplomatic fete late in 1957: "Those who expect us to abandon communism will have to wait until a shrimp learns to whistle."

In an earlier epoch of cataclysmic catastrophe in Europe this sentiment was rendered: "After me, the deluge." • • •

IDEAS ON LIBERTY

A Man on His Own

WHEN A MAN IS ON HIS OWN, an individual responsible for himself, he must earn a character — a personal character that is perhaps his first necessity. Others may then learn and imitate his qualities and capabilities. In a planned society he has no need of a character, for no such thing is wanted. No national or universal plan can afford to take the least notice of his personal character.

As an individual responsible for himself, a man must also acquire credit. Others must be convinced that he is credit-worthy; that he can be trusted; that what he undertakes he will perform to the limit of his ability. But when he is planned, nothing so troublesome is the least necessary.

The individual responsible for himself must try to avoid the loss that results from mistakes. But if he is the planner or the planned, the loss comes out of the public purse, and he is relieved of personal responsibility. He can then waste and lose just as much as his inherent laziness may dictate.

In a planned society, the only upward route available to a person is into the ranks of the planners where he can presume to arrange the affairs of others.

From the *Canora* (Canada) *Courier*, April 10, 1958
Ralph D. Davis, editor and publisher

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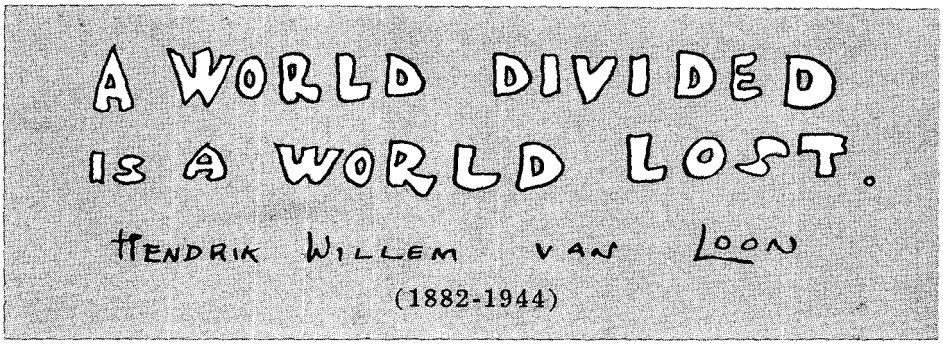
A FEW YEARS AGO I happened to be lecturing in the good city of New Orleans, and one day I spent in a small town right in the heart of that lovely state. The hotel, as sometimes happens in the rural districts, had a poolroom tucked away somewhere in the basement. Now I am not much of billiard player and certainly not at nine o'clock in the morning. But I was in search of a barbershop and that is how I drifted into the poolroom. Except for one single citizen, it was empty of all human habitation. And that citizen wanted company. Indeed, he wanted it so badly that it was enough for me just to poke my nose into that basement to find myself condemned to at least half an hour of a rather one-sided conversation.

My new acquaintance was a simple-minded fellow. First of all he



asked me all sorts of questions about myself, my family, my sources of revenue, and the name, age, and sex of my wife and children. In return for this he was more than willing to tell me about his own economic and social antecedents and whereabouts. In short, in less than five minutes we had become old friends, and after a further ten minutes I knew more about him than I know about some of my neighbors in New York whom I have met in the elevator for the last half dozen years. At once I realized that he had two special hobbies – he was inordinately fond of playing pool and he hated all foreigners. Of course, since I have been a citizen now for a great many years, everything was quite all right, but he was firmly convinced that most "furriners" had but one single purpose in life – to interfere with the prosperity of America and to bring about our immediate economic, social, and political downfall. Above all things, he resented the fact that he had not succeeded in

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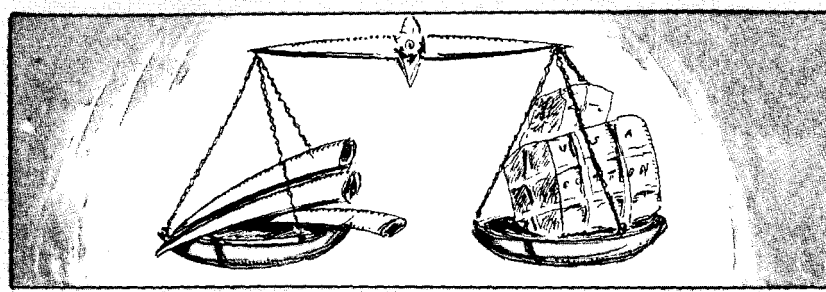
getting rid of a number of surplus bales of cotton which he had not been able to sell in the domestic market, but in some mysterious way that too was the fault of the heathen Chinee and the heathen English and the heathen Roosians . . . all of them combined in one vast plot to stamp out our hateful democracy, which was so far superior to the rest of the world as to have evoked the jealousy of every man, woman, and child among our 1,875,000,000 fellow-passengers on this planet.

He was in the habit of reading the editorials in a certain chain of newspapers that was the main champion of the pleasant doctrine of "America for the Americans" and "Buy American" and "A hundred billions for domestic goods but not a single penny for foreign imports." Indeed he proved himself such an excellent pupil that when inadvertently



I used the expression "international trade as opposed to a strictly national form of commerce," he immediately became suspicious and asked me whether I had been in Russia lately?

By that time, as always happens when I am slightly bored, I had begun to draw pictures on the back of an old envelope, with the usual result that the citizen in the poolroom became somewhat mystified, for people not much given to the arts (even such lowly and primitive forms of art as mine) always feel slightly embarrassed by something that is so completely outside of their own spiritual domain, such as doing card tricks or playing the fiddle or singing a tune a little more complicated than "Pop Goes the Weasel." The native leaned over my shoulder.

"What are you doing?" he asked me.

"Oh, nothing much," I answered, "but I thought that I would draw you a little fairy story. It might amuse you." I fished a piece of paper

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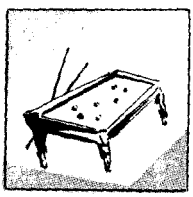
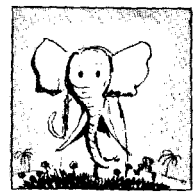
out of one of my inside pockets and I said, "Now here! We begin right at home. You like to shoot a little pool. Here is your pool table. Now what do you need to play pool? You could do it without a table. It would not be easy, but it would be possible. You could use the floor. You could do it without regular cues. It would not be easy, but it could be done. You could use an old broom. But the one thing you absolutely need is a couple of ivory billiard balls. You could not use marble ones, no matter how well-polished and how absolutely round they were. You could not use rubber ones, for they would bounce all over the place like tennis balls or ping-pong balls. You absolutely must have ivory balls, or there is no game. Next question, if you don't mind being examined a little—where does the ivory come from?"



"From Africa," my unknown friend hastened to inform me, for by this time he was getting sort of curious to know what I was driving at and at least he seemed to know something about elephants.

"Correct," said the professor, for once a professor . . . and you know the rest of that sentence. "Therefore, somewhere in the heart of Africa there lives an elephant. Here is the elephant; I will give you a couple of them for good measure. Now you cannot possibly go and hunt that elephant yourself, for you have got to stay right here in Louisiana to raise your cotton. You leave the elephant hunting to the natives in Africa. And so an African native in the heart of the African jungle travels for weeks and weeks until he gets himself an elephant. Then he travels again for a couple of weeks to carry the ivory tusks to the nearest port. Such tusks are heavy and the going is hard and the chances are that your native is eaten up by a tiger or a mosquito before he reaches the coast. But suppose for the sake of argument that he gets there. He then sells the tusks to an Arab for just as much as he can get. But that "whatever he can get" will in the last analysis depend upon whatever you here, five thousand miles away, are willing to pay him for those ivory tusks which meanwhile some manufacturer in England has converted into nice round billiard balls.



"Thereupon the American importer of billiard balls in New York who has been paid by some

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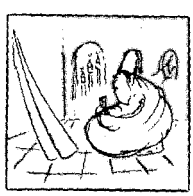
bank in Louisiana to whom your local dealer in billiard balls had sent the money you paid him for these little bits of ivory, sends the money back to England. The English manufacturer of your billiard balls gives it to another banker who forwards the money to Zanzibar or Mombasa or wherever your native sold the original tusks to that Arab dealer in ivory, and the Arab dealer in Zanzibar or Mombasa, who bought the tusks from the native, gives the native his share and then . . ."

"Yes," said my friend from Louisiana, a little bewildered by this hasty juggling with names and places and still entirely at sea about what I was really driving at, "and then? Then what happens?"

"And then," I told him, "the elephant hunting native takes that money and goes back to his own village and he gathers his family around him. They are all of them very much in need of new cotton garments and so he takes them to the Arab's store (for every Arab in the East runs a miniature department store) and he uses your money – your money from Louisiana – that he got by way of New York and London to buy himself and his family from Uganda a entirely new outfit of cotton shirts and cotton trousers and cotton coats, and he pays the Arab for that cotton he is buying (which is really your cotton, for your agent in New Orleans has sold it, via New York and London, to the Arab in Zanzibar or Mombasa) with the money which you paid him for his ivory tusks (now clicking merrily on your billiard table) and so, in the end, while you think you are shooting pool with ivory billiard balls, you are really shooting pool with bales of cotton, and very likely with your own bales of cotton.



"And now if you will kindly tell me where the barbershop is, I shall go and pay the barber with some money I made out of books, printed on Canadian woodpulp and written with a fountain pen made out of rubber that came from the Malay Peninsula and gold that came out of the South African mines and filled with ink that came from heaven knows where and pushed across the paper by a brain imported from Holland, and the barber, who probably was born in Sicily and whose wife came from Ireland, will lather me with a brush made out of hair he imported from Austria and a razor

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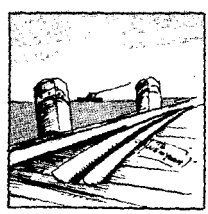
made out of English steel and . . ."

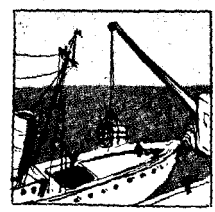
But at this moment my unknown friend interrupted me once more.

"Stranger," he said, and I detected a note of great sincerity in his voice, "I beg to apologize. I thought at first that you were just a little bit crazy. But now I am beginning to think that perhaps I was a little bit crazy, and do you mind if I keep these pictures and will you sign them for me? I want to take them home for the kids."

And so I signed the pictures and we parted the best of friends in the world. If he happens to read this, he will perhaps say, "Yeah, and that is the same fellow who talked to me four years ago in that pool-room." And he will probably remark that, after all, this is a very small world and, if he is quite honest with himself, he will perhaps add, "It sounded sort of nutty, but I guess maybe he was right."



Of course, this is a very small world. So small that it is absolutely impossible for any of us to go through life without ever doing a little business with our neighbors. Just as it is entirely impossible for our neighbors to go through their lives without doing a little business with all the rest of us. Life is entirely a matter of give and take. We sometimes give foolishly or take foolishly. Then things are apt to go wrong, but that is our own fault. And we can easily overcome that difficulty. All we have to do is to learn now to give and take, in such a way that both sides shall prosper. For that is the only way in which we can ever hope to establish that definite basis for a mutual and lasting prosperity, without which the world will never come to rest.



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IDEAS ON LIBERTY

Abraham Lincoln

Those who deny freedom to others deserve it not for themselves, and, under a just God, cannot long retain it.

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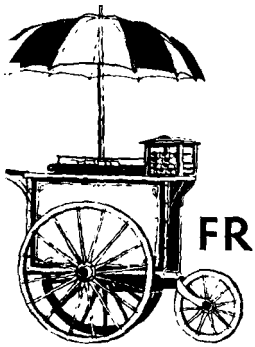

A description of the "invisible hand"

FREE ENTERPRISE – *Why?*

LEONARD W. MARTIN

AN ECONOMY approaches peak effectiveness, and thus the greatest possible production, to the extent that each resource, human and physical, is employed in the job at which it is most efficient. The subordinate task of guiding resources to their best employments, moreover, should be performed economically. The fewer the resources used to facilitate the movement of all other resources to their best employments, the more will be available for want-satisfying production. Likewise, it is desirable that this task and its goal be accomplished with a minimum of restraint on human freedom. It is the distinction of a free enterprise economy that it outperforms all others in the threefold provision of efficiency, economy, and human freedom.

This feat is founded ultimately upon the economic incentives – profit or loss – which a free enterprise society employs. Such an economy leaves to each individual the determination of his material and nonmaterial wants, the order in which he prefers to have them satisfied, and the choice of employment the income from which gives him limited command over the output of others' resources. So long as his wants, and those of his wife and children, remain less than completely satisfied, he is impelled – but through a free decision of his own and not of government officials – to raise the economic value of his services to society.

Although the pursuit of want satisfaction in terms of the incentives furnished by free enterprise seems complicated, its achievement is vastly simplified and intelligently directed through an intricate system of communications known as the price system. An earlier article by W. Allen Wallis (THE FREEMAN, July 1957) showed largely how the system operates. Primary interest here centers upon why it operates so effectively through the incentives of free enterprise.

A brief review of economic fun-

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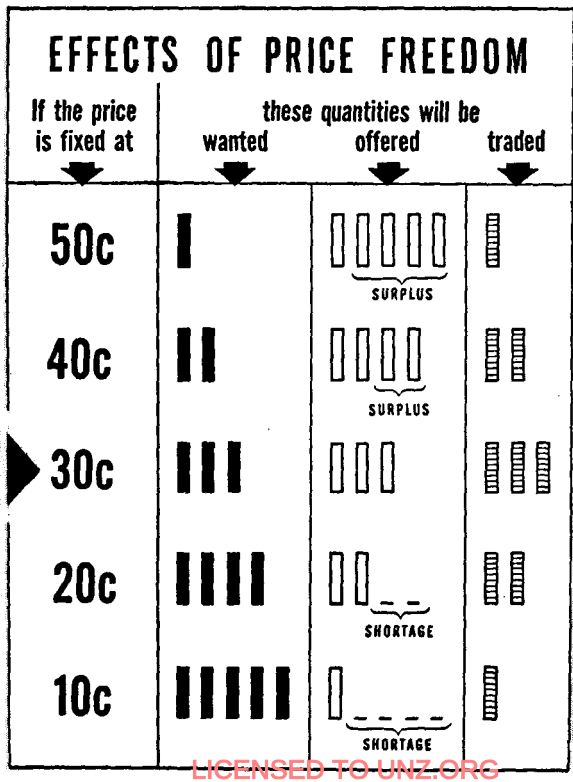
damentals will help in this introductory exposition. The basic need for economizing stems from the scarcity of want-satisfying resources. In our economy as well as in others the complaint that incomes are too low is commonly voiced. Since resources are limited in supply, however, their outputs – the society's income in physical terms – are limited, and consequently the incomes of – money payments received by – their owners are limited or low. This emphasis on the scarcity of resources relative to wants does not, of course, deny that their coordination is complicated by their great number and variety.

Since the satisfaction of wants is limited, consumers must satisfy their wants according to a descend-



The function of price is to encourage production of what is wanted, to the extent that wants can be anticipated and production plans can be carried out.

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ing order of preferences. In this way they help establish relative values – prices – for the goods and services in consumer markets. These preferences are promptly communicated by the price system back to the markets in which resources or factors of production are employed. Consequently, another set of relative values or differing prices is established, this time for productive services but reflecting, nevertheless, the tastes expressed in consumer markets.

The two related sets of prices then perform the necessary function of rationing the limited supplies, on the one hand of physical outputs and on the other of factors of production. Through the prices paid to the factors of production, largely in proportion to the value of their contributions to the economy's outputs, the price system performs the necessary function of distributing incomes. Since the prices involved in the distribution of incomes are known to vary, they stimulate movement toward employments whose goods and services achieve increasing consumer favor and away from those with declining consumer support. In this way a third necessary function, allocating the society's resources or guiding them to their most suitable employments, is achieved simultaneously with the distribution of income and the rationing of limited supplies.

It is apparent not only that these three key functions are performed simultaneously, but also that broadly speaking the same people who are producers are also consumers. Of course, rationing supplies, distributing incomes, and allocating resources might conceivably not be necessary. Each person might in isolation consume only as many of the barest necessities of life as he could or would supply all by himself. The satisfaction of human wants would then indeed be dismal, whereas in our capitalistic nation such satisfaction has become almost generous through the division of labor and subsequent technological developments. But under these circumstances economic activity is complicated by exchange and the necessity for performance of the three key functions. The device of markets or what we call the price system in combination with the incentives of free enterprise and the media of money and business enterprises does, however, simplify solution of the attendant problems.

Wartime Experience

The price system in a free enterprise environment performs the key functions of rationing supplies, distributing incomes, and allocating resources so successfully and with so little impingement on

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human freedom that most Americans are unconscious of their occurrence. To demonstrate, consider the first function, rationing limited (scarce) supplies. Many Americans seem to think that this occurs only during a time of war "shortages" or "scarcity." Then when a second price and a second currency system – points and stamps – are imposed, Americans realize that rationing is going on.

But all goods that carry a price tag are rationed as the leverage of price serves to keep the quantity demanded from exceeding the quantity supplied and vice versa. "Rationing" through means in addition to the price system is employed only when the rise in price to reduce the quantity demanded to a temporarily small supply would work hardship on lower income families, or would seriously distort the general interrelationship of prices under short-term emergency conditions.

Bureaucratic Organization

Since Americans are accustomed to having resources allocated by prices determined largely in competitive markets, they hardly know of the oppressiveness and inefficiency of some alternative system. However, those of us who served in the Armed Forces saw what bureaucrats, excused from other duties – service as well as combat – and buttressed by all kinds of placement devices, could do. Truck drivers were often trained to be typists, while typists were sent to drivers' schools.

Not only did this action involve failure to economize from previously acquired training and loss of constructive employment of the resources while they were being retrained, but human beings were assigned to work which they preferred not to do. (Though, of course, combat assignments are relished by no one.) Under such circumstances even Americans were prone to "soldier," a term aptly coined to characterize that productive effort which, in the absence of economic incentives, provides the lowest rate of output permissible both to collect a given periodic stipend and to stay out of the guardhouse.

These characteristics of military methods in performing economic functions are often passed off casually as the inevitable snafu of hasty mobilization. Their persistence, however, in the calm and comfort of peacetime reveals that there are inherent defects in the system. The defects are inevitable when on the one hand both employment and a given monthly remuneration are guaranteed and on the other the individual can increase his income primarily through seniority but hardly through merit

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or the discovery of alternative employment. Such is the character of this essentially noncapitalist organization which, typical of government generally, now threatens through its excessive extravagance to undermine a capitalistic society such as ours founded ultimately upon private and voluntary thrift.

Entrepreneurial Leadership

A preferable concept of effective demand in a genuinely consumer oriented economy is that each person makes his demand effective by exchanging for that which he demands a good or service equivalent in value. In this effort in a free enterprise society, the key energizer and coordinator of resources is the entrepreneur, the one to whom the "profit and loss" incentives apply literally. He makes the important decisions on what and how much shall be produced, not for the entire galaxy of goods and services the economy provides but for one or a few items competing for shares of the consumers' limited incomes.

Briefly he strives to market the goods and services which satisfy consumers' higher priority wants and to price them sufficiently low that consumers within the limits of their incomes will give priority to the wants they satisfy. To the extent that he heeds the advice of the price system — in the interest of enlarging his profits and avoiding losses — he provides the greatest quantities of the goods consumers want most, and so contributes to the best possible allocation of resources.

A free enterprise economy achieves the greatest output of which its resources are capable, not only because of the best possible allocation of resources but also because of economical performance of key functions. The entrepreneur, unlike the central planner, coordinates the output of relatively few items rather than the totality of goods and services the economy wants. Hence, he doesn't need what is so indispensable to the central planner, a detailed inventory of the society's resources and wants. This does not and cannot exist because consumers' tastes and producers' technologies are ever changing in response to changes in prices and incomes which in their turn change in response to changes in tastes and technologies. Unfortunately for detailed planning of the economy, all of its variables are mutually dependent.

Automatic Inventory Control

But component prices in the various markets of the system, unless restrained, respond readily to all changes in supply and demand conditions, and so to all other prices,

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as if the illusory "inventory" existed at the disposal of the price system. It is part of the economy of the system in performing its key functions that no resources have to be removed from productive employment to acquire this "inventory" of economic knowledge. With the price system, and this is another feature of its economy, the entrepreneur needs knowledge only of relatively few prices, of the products and productive factors, relevant to his activities. He need understand little about why prices move as they do, but only know their current and reasonably prospective behavior to decide whether to expand or contract output and which factors of production to substitute for which. Again he contributes to the best possible allocation of resources.

Ultimately, however, the efficiency and economy of the system rest upon its freedom. More and better satisfaction of wants results from the entrepreneur's freedom not only to introduce new products but also to employ new production methods. The discipline of competition and profits requires him to reduce costs first for survival and further for the increase of his profits, or income, to improve the satisfaction of his wants. Since in a free enterprise economy greater profits rest not upon exploitation of workers or consumers but upon greater efficiency, the entrepreneur thereby conserves resources or, better, releases them for employment in the satisfaction of additional wants. By implementing his freedom to improve his own well-being through production of the right items with the fewest resources, the entrepreneur truly increases his value to society and thus leads the economy to the greatest possible satisfaction of its wants.

The Risk of Profit or Loss

Risk-taking, it is sometimes forgotten, involves losses as well as profits. How much the fortunes of two entrepreneurs may differ can be seen from the lives of William Durant and Henry Ford. They contributed much to the revolution that the automobile has wrought in American life and that would not have been risked under a centrally planned economy. Durant formed General Motors, lost, rewon, and relost control of the firm, entered bankruptcy in 1936, and at death was said to be merely well-to-do. Ford developed an original investment of approximately sixty thousand dollars into a business fortune worth about one billion dollars, a magnitude which hardly constitutes an overvaluation of his contribution to American society.

Neither the accumulation of pri-

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vate fortune nor the achievement of social revolution could have occurred if the entrepreneur in the first place had not been free to risk production of "economy" rather than "luxury" autos and in the second place had not been free to reinvest in his business the rewards of his efficiency and enterprise. Capital, land, and labor, as well as enterprise, were invested through his leadership where the society preferred to have them. It should be apparent then that the efforts of security-minded groups today to deny the risk-taker his due rewards will, if successful, be fatal to our way of life and its manifold benefits.

Other Resources Cooperate

Owners of other resources, interested like entrepreneurs in enhancing their want satisfaction through increased incomes, face far less complicated production decisions. Savers of capital seek the highest rates of interest — relative to the risk and term to which they commit their savings. Owners of land seek the highest rents among varied uses — again allowing for nonprice considerations. Most commonly the resource of others is their labor. Indeed entrepreneurs, landowners, and savers are persons who usually provide labor as well as other production services. Few sellers of other productive services are not also workers and few if any workers are not also sellers of other productive services. It remains to be seen how these other resources, labor illustrating all three, in responding to economic incentives, enjoy freedom, promote the economic performance of key functions, and contribute to the best possible allocation of resources and so to the greatest possible production.

As the entrepreneur seeks greater profits through greater efficiency, so the laborer strives for higher wages through more valuable production. In a free society where employment is available regardless of race, creed, or sex, opportunity is open to every worker to increase the value of his services to society. He is free to obtain a liberal education, pursue a profession, or learn an industrial or commercial skill. In these ways, but not by coercing his employer or consumers, he can raise his value to society.

The variation in prices (wages) offered for different jobs in the distribution of income provides incentive for him in the first place to be alert to opportunities in the labor market. It also induces him to survey his own talents and training, general and unique, and known best to him. Given his own occupational inclinations, again known best to him, he knows where

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he will be most likely to excel and again be of greatest value to society. Hence, he responds to the advice and incentives of the price system by seeking the position that among those for which he is qualified offers the best wage, and which, according to his occupational inclinations, does not impose unacceptable nonprice disadvantages. He offers his services where he can "profit" from higher earnings and thus enjoy greater satisfaction of wants. In this way he cooperates with other factors of production in placing each resource in the job at which it is most efficient – in attaining the best possible allocation of resources or the greatest possible output.

The Efficiency of Freedom

Obviously there is again a connection between freedom and efficiency. There is a further relationship between freedom and economy. The entrepreneur, unlike the central planner, needs no diversion of productive factors from want-satisfying employment to accumulate a detailed inventory of the society's resources and wants. Similarly, it is not necessary in a free enterprise economy to transfer resources from productive employment to the onerous and unproductive bureaucratic task of assigning others to their jobs. Initiation of governmental controls would reduce the effective supply of already scarce want-satisfying resources and would impinge harshly upon the freedom of the workers. Thus economy and freedom both enhance efficiency and have a mutually beneficial effect upon each other.

The free worker, in contrast to the soldierer, tends to produce at his highest rate because he works where he – not someone else – has decided he shall work, because that work provides the highest net reward of which he is currently capable, and because the opportunity for further reward lies before him who demonstrates ability and continues to seek still more suitable employment. As the free worker and his colleagues steadily increase the value of their production in terms of consumer prefences, they have a continuing, added incentive to work hard because their real incomes continue to rise. Therefore, they are rewarded by the greater satisfaction of wants which was originally sought.

Conclusions

The freedoms emphasized in this discussion are those fundamentally of earning and spending one's income according to his own inclinations and tastes. Even in our advanced age of technology these unavoidable pastimes consume a

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great portion of one's wakeful hours. Consequently these freedoms, though mundane, are highly important to human beings. Moreover, they are accompanied by nonmaterial values. They contribute to the development of individual self-reliance and private, personal responsibility. It is also a matter of historical record that where the freedoms to earn and spend one's income are strongest so are the freedoms of religion and speech.

Although this description of the free enterprise system has tended toward the ideal, the market forces at work have thus far in reality proved more powerful than the obstacles placed in their path. The result is that the system "mostly does work as it should." Admittedly, no real system conducted by human beings is free from frictions and imperfections. With this qualification in mind, it would seem to be preferable policy to correct imperfections rather than to subvert principles. Unfortunately public policy has sometimes taken the wrong path. It is regrettable, too, that some economists credit the deviations from the system rather than the system itself for its remarkable achievements.

These remarks describe briefly the ways in which a free enterprise economy through the price system rations supplies, distributes incomes, and allocates resources. They also set forth some reasons why the economic incentives of free enterprise, through decentralized rather than centralized decision-making, promote efficiency, economy, and especially freedom. It is believed that human beings as entrepreneurs, workers, and so on, respond to the freedoms to earn and spend their incomes in conformity with their inclinations and tastes. Moreover, through the knowledge and incentives the price system provides, they seek steadily to enhance their own well-being by improving what they offer in exchange. Actually, the foregoing remarks amount to little more than a protracted paraphrase of what Smith so eloquently called the "invisible hand." • • •

Like Wallis' article, this one also is much indebted to Knight and Hayek, especially the latter's "The Use of Knowledge in Society" in *American Economic Review* 35:519-530 for September 1945. I have always found quite helpful Chandler's *A Preface to Economics*, particularly chapters VIII through XI. Chandler in turn acknowledges a debt to J. M. Clark. The concept of effective demand was derived from Wicksteed's *Alphabet of Economic Science*. Ultimately we all owe more than we often realize to Smith's *Wealth of Nations*.

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Let's re-examine our concepts of

JUSTICE

KENNETH W. SOLLITT

"He hath shewed thee, O man, what is good; and what doth the Lord require of thee, but to do justly, and to love mercy, and to walk humbly with thy God?" (Micah 6:8)

WHAT does the Lord require of us?

"To do justly, to love mercy, and to walk humbly with your God." Justice, Mercy, Humility – these three – and the most basic of these is Justice.

The idea that God requires justice of his people was not entirely original with Micah. I think of an instance recorded for us in I Samuel 15. God had sent Saul to destroy Amalek. Saul was specifically instructed to kill everything to the last oxen, camel, sheep, and ass. But Saul was sure that he knew more than God did; so, though he destroyed Amalek, he saved the best of the sheep and oxen. His excuse was that he wanted them "to sacrifice to the Lord."

I wonder what went on in Saul's mind. Did his reasoning run something like this: "I have done what the Lord commanded in destroying Amalek; but surely God does not want me to destroy his sheep and cattle, too. Am I not entitled to the spoils of war? I'll make my peace with God for this partial disobedience by making a liberal sacrifice. Surely God will see it my way if I do that."

How ready some people are to sacrifice what never belonged to them in the first place! But the point was he disobeyed God; and on his return, Samuel said, "Hath the Lord as great delight in burnt offerings and sacrifices, as in obeying the voice of the Lord? Behold, to obey is better than sacrifice. . . ." (I Samuel 15:22)

While the idea expressed in our text was not original with Micah, it was Micah, the tiller of the soil, the vine dresser, who cast it into its classic and unforgettable form: "Wherewith shall I come before the Lord? . . . with burnt offerings,

The Reverend Mr. Sollitt is minister of the First Baptist Church of Midland, Michigan. This article is from one of his sermons.

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with calves of a year old? Will the Lord be pleased with thousands of rams? . . . what doth the Lord require of thee, but to do justly, and to love mercy, and to walk humbly with thy God?"

Note this: To Micah, justice and obedience to God were synonyms. To assume that one knew more than God did was sin, and disobedience could not be forgiven by bargaining with God through the liberal sacrifice of someone else's goods.

Varying Standards

What do we mean by justice today?

To some, justice is whatever they can reasonably expect to get away with. To some, it is one thing when applied to a white man and something else when applied to a Negro or a Mexican. To some, it is a commodity to be bought and sold like hay. To some, it is something inevitably achieved by majority vote or strength of arms or diplomacy; and to some, it is obedience to God who alone is far-sighted enough to see all the implications of an act. What is your definition of justice?

One of the glorious things about the nature of man is his innate sense of justice. Deep within us there is that which admires and demands fair play. We instinctively abhor inequity.

I like to think that this is especially true of Americans. Over the entrance to our Supreme Court Building is engraved the words "Equal Justice for All." We admire good sportsmanship in athletics and fair play in business. We stand ready to rush to the aid of any people we feel are being unfairly treated.

Just how deep down the roots of our natural sense of justice go is revealed by the fact that those who would pervert justice must first distort our concept of it. And that, unfortunately, is not too difficult to do. We find it all too easy to rationalize our own injustices toward others. Governments which are unjust must first sell the public on the idea that this departure from tradition is a new, higher type of justice. So strong is our innate sense of justice that, in order to act unjustly, we must convince ourselves that there is inordinate provocation, or that the end justifies the means. And to act unjustly as a society, we go to great lengths to appeal to this innate sense of justice itself to accomplish our purpose.

For example, in my own lifetime there has taken place a vast change in our concept of justice. How has it been brought about?

In my youth, justice, reduced to its simplest terms, was a dollar's reward for a dollar's work. Then,

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after a period of carefully laid propaganda, we came to believe that that was really not justice at all. Justice, we have come to believe, is not measured by productivity, but by need; not by our contribution to society, but by our ability to burden it.

In Terms of "Need"

Our reasoning runs something like this: See how unjustly treated is the woman whose husband drinks up all the pay check. Something must be done about that. See how unjust life is to the child who must eat peanut butter sandwiches instead of a hot lunch. We love justice, and something must be done about that. Notice the inequity of the laborer who has to drive a Plymouth while his boss rides in a Buick. We must have a labor union so laborers can have Buicks, too. Obviously, life is unjust to these poor creatures, and we hate injustice and we long to share somebody else's wealth with them.

We have measured justice in terms of need until every farmer, every laborer, every businessman, and every child who needs (or thinks he needs) anything is looked upon as a victim of injustice if he doesn't get it. A dollar's reward for a dollar's work? That's old-fashioned. "From each as he is able, to each as he has need." Now that's genuine social justice – or so say many of our molders of public opinion.

But to me, it is only Saul sacrificing what never belonged to him to appease a God whom he has disobeyed. How ready we are, in the name of justice, to share another man's lunch with him! In fact, we will share it with all the neighbors if there is any left when we are full. Whether we have a right to share what never was ours is beside the point. We have allowed our sense of justice to be distorted, so that now justice itself can be perverted in the name of justice.

But the point I am making is that so deep-seated is our natural sense of justice that we have had to be given a twisted view of justice before being unjust. Share-the-wealth plans are becoming so successful that almost every year benefits go up a few per cent and taxes a higher percentage until, followed to its logical conclusion, someday all our wages will be collected at the source and we all will be wards of the State; and communism, the most unjust system conceived by the mind of man, will have fastened itself upon us in the name of justice.

And what do we mean by justice? Isn't it time to rethink it? Is justice a commodity to be bought by, and sold to, the high-

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est bidder, or the group who can deliver the most votes? Is it something inevitably achieved by the majority vote of big-hearted people who love to share the other fellow's goods with him? Is it justice or a travesty on justice to take what belongs to one man and give it to another? And does accomplishing it with ballots instead of bullets alter in the least the injustice of it? Can justice ever be determined by the mores of the people, the political expedients of the parties in power, the majority vote of a group, the re-interpretation of the laws of the land by a handful of Supreme Court Judges, or planners with a messianic complex who presume to play God?

Obedience to God's Will

Justice is not something that can be determined by custom, political expedience, majority vote, or by interpretation of law. It is something inherent in God's universe as he has created it. You can no more repeal the Ten Commandments by majority vote than you can repeal the law of gravity by passing a resolution against it. Making a thing legal cannot make it right. Call it equity, justice, fair distribution, or anything else you may care to misname it – it is justice only if it is God's will.

For in God's world as he has created it, for every action there must be an equal and opposite reaction. The ball hits the bat with the same force that the bat hits the ball. The force of God's retribution is exactly equal to the force of man's sin; and he doesn't escape that retribution by hiding behind the fact that it is a social offense instead of a personal one. For every miscarriage of justice, the innocent suffer along with the guilty. For every sin, someone pays a penalty. For every dollar we receive without earning, someone else must earn a dollar without receiving it. For every breaking of God's law, there is a breaking of one's self or one's society upon God's law. If the will of God is not in our justice, it is not justice – only an attempt to pacify God with someone else's sacrifice.

Samuel was right when he equated justice with obedience to God's will.

Micah was right in making justice synonymous with a kindly, humble walk with God, and woe to those who seek to devise a just and righteous world according to blueprints of their own, which in any sense violate the just God's will.

May God forgive us when we act as if we knew more than he did, when we are sure that we are right and he is wrong, when we seek to fashion justice for one out of injustice to many. • • •

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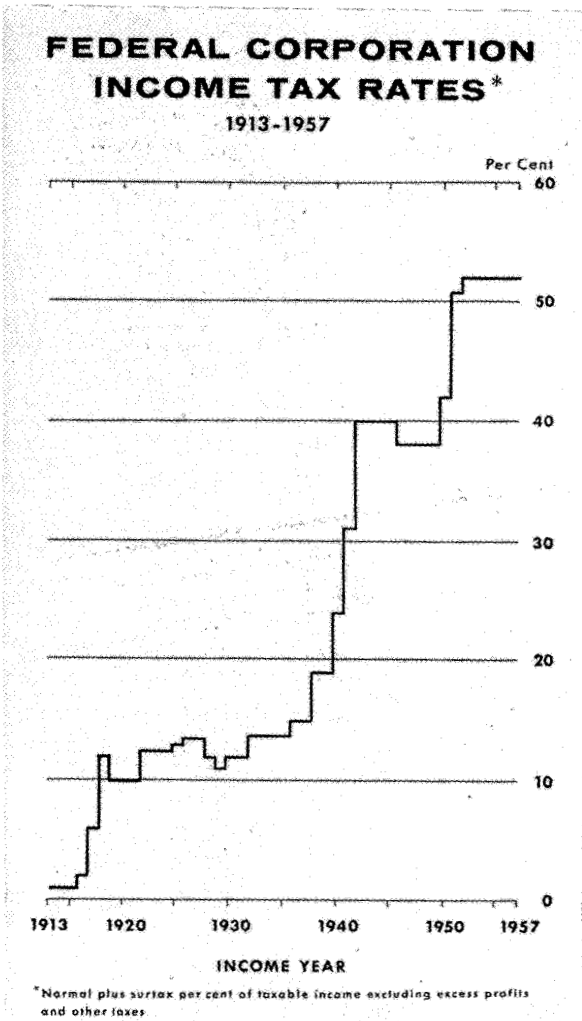
THE POWER



ALL ARE AWARE that taxes are a crushing burden on the economy, but few realize the extent and growth of that burden. In America there are over 100,000 taxing authorities. The biggest taxes are those levied by the federal government, but the burden of state and local taxes has also mounted.

In the 1920's total taxes were about $9 billion, or 10 per cent of net national product; but by 1956 they had risen to over $100 billion, or nearly 30 per cent of the net product. Moreover, in this troubled world a mounting proportion of national effort may be needed for defense while groups at home and abroad increasingly seek, even demand, aid from our government. Taxes cannot endlessly mount without destroying the productive initiative and strength upon which all must rely both in war and in peace.

Of significance equal to or greater than the total burden itself is the unfortunate manner in which federal taxation bears upon the efficiency and growth of economic endeavor. Since

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1940 the federal tax (normal plus surtax) on corporate income has risen from less than 25 per cent to 52 per cent. And over the years the taxes on higher income brackets of individuals have been steepened until they take up to 91 per cent of such income.

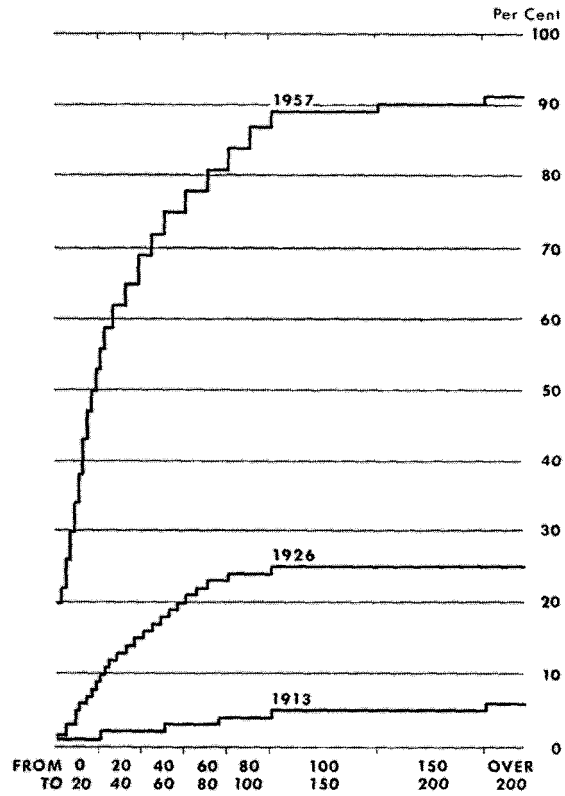
Inflation has aggravated the situation with the result that to have the same buying power after income tax an individual's $2,000 income earned in 1940 would now have to be nearly 2.3 times as great; but a $10,000 income would have to be 3.2 times and a $50,000 income would have to be 9.8 times as great.

When taxes are low, their injury to progress can be borne in relative disregard of the famous saying, "The power to tax involves the power to destroy." But when, as now, taxes reach confiscatory levels, it is time to take heed. In wartime the effort to survive obscures tax deterrents. In postwar decades the big backlog demands also temporarily obscure the tax effects. But it now seems prudent to review the tax structure in broad perspec-

TO TAX

FEDERAL INDIVIDUAL INCOME TAX RATES

1913, 1926 and 1957



The chart shows the rates at which each increment of income is taxed, e.g., in 1957 the increment of income from $60,000 to $70,000 is taxed 78%

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tive. The following facts then emerge.

Individual Income Tax

The steep progressive taxation of individual income systematically eliminates a principal source of venture capital upon which progress depends. It should ever be remembered that a new self-sustaining, productive job – of which we will need millions in years to come – can come into existence only when money is risked to purchase tools of production, thus creating the environment in which a man may produce the marketable values to cover his continuing wage and the investor's compensation.

Those best able to risk – and often lose – venture capital are those who earn larger incomes. Some few people are undoubtedly either lucky or unlucky; but the great truth is that, in the absence of fraud or coercion, those of larger income receive it only as they and their property equivalently serve the community at its own competitive prices. The skilled machinist gives more and gets more than the apprentice. Service rendered and income received are two sides of the same coin. Taxing the more skilled and the more productive at ever-increasing rates undermines both their incentive and ability to provide the venture capital on which new jobs depend.

Burdensome taxation also is profoundly shortsighted because as the sources of new jobs are dried up, government is called upon to support the unemployed and to aid many undertakings such as agriculture, housing, shipping, stockpiling, and so on. This we have seen even in the midst of boom. Thus a steeply graduated income tax can energize a spiral into some sort of statism.

Corporate Income Tax

Taxation of corporate income also unhappily tends to impair productive incentive and to dissipate the seed corn of progress. Thus the higher the rate of tax, the greater is the tendency to impede the very growth that has been characteristic of the economy of our country in the past and is particularly important in this present period of international tension. For each dollar of profit for dividends or reinvestment at present tax rates more than one dollar must be paid to the government. The company that operates more efficiently pays a higher tax per unit of production and thus in effect pays a penalty for being more efficient. Taxes levied at high rates against efficiency cannot help but impair that efficiency, and it may well be time to ask if this can be in the public interest.

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Especially significant is the tax dissipation of receipts vitally needed for reinvestment in the business, for without this "seed corn" income no company can either make good the insufficient depreciation allowed on the existing tools of production or have money to purchase additional job-creating tools. Nor can it readily attract outside capital. This works especially against corporations seeking to grow in periods of inflation when all business, big or little, must seek additional dollars just to finance the same volume of business.

It is not good sense to tax away money otherwise destined to provide new jobs and products at a time when these may be much needed. This is not money to be distributed and dissipated in consumption, to enrich selected groups of people. It is, instead, the very core of growth in corporate America upon which more than three-quarters of all nongovernment wages and salaries depend.

Progressive Tax on Corporate Income

As just noted, the corporate income tax already tends to impair productive incentive and growth. Despite this, there has been talk of taxing corporate income in progressive fashion, which is to say that the more efficiently a group of people cooperating through a corporation served the community and expanded its operations, the more punitive would be the rate at which the tax was levied.

If this were done, it would further undermine the incentive of all corporations to expand their employment and production, and thus retard the nation's growth in times of peace and its defense in periods of emergency.

Effect on Financing

A company possessed of profit margin or prospect, and thus in position to seek outside financing, presumably has the choice of selling new stock or of borrowing. The profit tax weights the scales against equity financing, and the greater the tax rate the heavier the weight, thus encouraging creation of dangerously mounting perpetual indebtedness. Thus, for each dollar obtained, either in higher prices from customers or through cost reduction, to pay bond interest more than two dollars must be so obtained to pay a dollar in dividend.

The tax tends to perpetuate indebtedness. It is true that borrowed money spent for facilities can be paid off out of depreciation recovered, at the end of which process, however, both the debt and the facilities are retired. If by replacement purchases the capacity of facilities is to be perpetuated,

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then so also must the indebtedness, or else it must be paid off by sale of stock or out of earnings. But to pay off out of earnings one dollar that has been borrowed, more than two additional dollars must be obtained from customers or through cost reduction in order to cover the government's tax take. In this respect the tax amounts to a more than 100 per cent penalty on paying off debt.

It is, however, to the formation and investment of new venture capital – equity money – that the nation must primarily look for progress in creating new jobs; bond money, indeed, is unobtainable for new enterprises until a cushion of risk capital has first been provided. It surely cannot be considered to be in the public interest heavily to hamper, through taxation, the formation and investment of venture capital and thus encourage creation of dangerous perpetual indebtedness.

Effect on Capital Markets

As the corporate income tax rate grows, it inevitably and powerfully affects the functioning of the nation's capital markets. The tax strongly influences corporations to rely to the maximum extent possible upon internal financing – that is, to retain and reinvest a bigger portion of income instead of paying it out in dividends. A tax equal to more than 100 per cent of the retained amount has already been paid in the course of acquiring it. To pay it out in more dividends would subject it to further individual income tax dissipation to the extent, in the case of U. S. Steel's stockholders, of not less than 37 per cent. Thus less than two-thirds of such additional dividends could actually get to the capital market and become available for re-use through that market.

Under this tax influence about half of all new capital invested by corporations is represented by direct reinvestment of income. The scope of the capital markets is thus narrowed, as is also the competitive opportunity of new seekers of capital in that market.

Toward Extravagant Government

The structure of individual and corporate income taxation undoubtedly constitutes a serious temptation for government to engage in extravagance. There is general resort to the age-old fallacy of promising "abundance for all by robbing selected Peter to pay for collective Paul." But of what avail if in the process the seed corn of progress on which all depend be consumed? And how different it would be, for example, if every voter understood that there could be no added expenditure without a proportional in-

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crease in the tax he himself would have to pay! It is perhaps in these attitudes that one may find the hidden key to ever-mounting taxing and spending.

Tax Erosion of Capital

Some companies because of the nature of their business must be heavily invested in long-term facilities. The real capital of such companies is eroded away by the present corporate income tax. This is because it takes many more of today's dollars to replace equipment as it wears out than it took originally to purchase the equipment many years ago. But depreciation allowed in computing taxable income is limited to the fewer dollars originally expended.

The difference between such depreciation and the larger amount needed to recover the purchasing power expended – and so to keep the facilities intact – is arbitrarily called income and taxed as such. For U. S. Steel alone such tax erosion of capital as it turned over through depreciation amounted to over $650 million in the years 1940 to 1957 inclusive. Thus the corporate income tax not only hampers the formation of new capital but also erodes away existing capital, and does it in highly inequitable fashion because of the varying importance of depreciation to the businesses taxed.

The Tax Passed On

Neither individuals nor corporations can or do pay taxes of any sort except as they first receive the dollars with which to do so in exchange for products sold or services rendered. In a sense, corporate taxes can be assumed to be sales taxes passed on to consumers, even if done so in highly inequitable fashion because they vary in amount on similar products depending upon the efficiency of the respective producers.

But the tax problem cannot be dismissed on such an assumption, for American hopes for ever more and better living rest squarely upon ever evoking the initiative, the effort, the leadership of its most able and efficient citizens and corporations. It cannot be done by taxing away up to 91 per cent of any fruits of the individual's additional effort. Nor can innovation of new products and job-creating investment in facilities be helped by taxing away the corporate funds for their financing.

This brief review of but a few broad aspects of federal income taxation impels one to wonder if the tax trends in America as they have developed over a long period of war and postwar boom do not point toward making the enterprise system unworkable. The heart of that system is the com-

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petitive investment of savings in tools of production thus both multiplying the jobs of operating them and the products that flow from them. Unhappily the taxation of income of both individuals and corporations has now come to bear most heavily upon that vital creation of savings that flow into job-creating investment. It tends to undermine the incentive of everybody to engage in superior effort.

The saying, "The power to tax involves the power to destroy," is not an outworn adage; it is a deadly warning to which, at this juncture of our history, heed had best be paid. • • •

Excerpts from the 1957 *Annual Report of the United States Steel Corporation.*

IDEAS ON LIBERTY

"No Taxation without Representation"

This, of course, cannot mean that each individual taxpayer is to pay only that which he voluntarily decides to pay. It means rather that *all* shall pay *uniformly* what the *most of them voluntarily agree they should all pay*....

It is far better that the majority surely and voluntarily vote taxes on itself while a minority escapes, for that is freedom, than that a majority impose taxes on a minority which the majority escapes, for that is tyranny. The majority has power to protect itself, the minority does not, as pointed out by Madison in the Tenth Federalist paper.

BRADFORD B. SMITH, *Liberty and Taxes*

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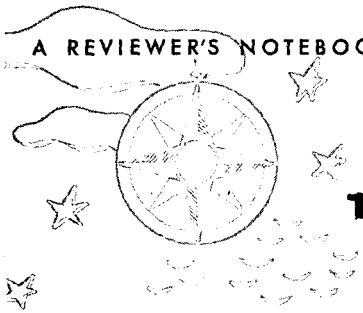

THE ADMIRAL'S LOG

THE Jones and Laughlin Steel Corporation, over whose destinies Admiral Ben Moreell presides as Chairman of the Board, is a material concern which deals in the most solid and tangible stuff imaginable. As for Admiral Moreell himself, he is a scientific engineer, with a long history of naval construction supervision culminating in his work as the organizer of the Navy Seabees (Construction Battalion) in World War II. The Admiral, then, is the epitome of practicality or hardheadedness or pragmatic awareness. He laughs at the state legislator who once suggested that pi, the mathematical symbol which denotes the ratio of the circumference of a circle to its diameter, should be changed by law from 3.14159 plus to an even 3.

Unlike some well-known "practical" men, however, the Admiral does not write off "ideas" as such. He knows that capitalism itself is an idea. And he knows that behind this idea there stand other ideas, that every social order (including the one in which the Jones and Laughlin Company operates) "derives its sanctions from the prevailing conception of the cosmic order." The buying and selling of steel and the ingredients thereof may seem a very mundane thing. But buying and selling are in themselves acts of freedom, and freedom itself involves a certain conception of the individual human will in relation to individual responsibility. Accordingly, in a compilation of his speeches called *The Admiral's Log* (published by the Intercollegiate Society of Individualists, Inc., $1.00 paper, $2.00 cloth), Ben Moreell turns his attention primarily to "God, Man, Rights, and Government," as mentioned in his subtitle. And he is, as he knows, being very hardheaded in doing so.

The Admiral's immediate concern in this book is to provide a philosophical rationale and justification for free market economics. But he does not write as most

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people do about the market, seeking to test it solely in the light of efficiency. Learned in the lore of the eighteenth century, when economics was political economy and close to the moral sentiments of the early philosophers of freedom, the Admiral begins not with economics but with the nature of man. Does man have certain moral rights? If so, are these rights God-given or society-given? If they are God-given, then they are not lightly to be erased by the "positive law" of legislators. If, on the contrary, they are society-given, then they are not really rights. They are mere permissions, revocable at any time by order of the entity which Hobbes and Locke once called the magistrate, whether that magistrate be tyrant, constitutional monarch, oligarchy, or plain democratic majority.

The Erosion of Moral Rights

Building his case slowly, the Admiral notes that the American nation was founded on two principles. One is that men have certain moral rights deriving from their Creator; the other is that they have political rights emanating from the nature of the American social compact. Since the moral rights come from God, they supposedly constitute an area into which "government is forbidden to enter." The Constitution was "so devised as to prevent destruction of natural rights by government" – or at least such was the intention of the Founders, if we are to take expositors like James Madison and Thomas Jefferson at their word. But the Founding Fathers, though reasonably scrupulous in their use of language, were slipshod at a couple of decisive points. And through the breaches created by the fuzziness of such phrases as "the general welfare," the enemies of God-given moral rights have driven their engines of destruction. The American people, so Admiral Ben Moreell tells us, have "used our newly-gained political rights to restrict or destroy our natural rights.... We appear to have decided that 'might makes right'; that the way to determine what is 'right' is to vote on it; that if a thing is *legal*, it is automatically morally *right;* that if it is declared *illegal*, it is *morally wrong.*"

The reason why moral rights have become eroded is to be found in the blows which nineteenth century materialism struck at the religious certainties of the Constitution-makers of 1787. A prominent religious layman, Admiral Moreell rejoices in the latest view of the physicists, that (to quote Sir James Jeans) "the stream of knowledge is heading toward a nonmechanical reality," which

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means that "the universe begins to look more like a great thought than like a great machine." Socialism, says the Admiral, was a tenable philosophy of political and economic organization as long as "it seemed as though an honest reading of the facts pointed to nature with nothing beyond it." If man were a mere collection of molecules, a "thing" within a nature in which "only things prevailed," it was reasonable to suppose that he could be ordered around by anybody who could achieve the power to do the ordering. That is the "law" of force. But if man is a creature of a God whose own will is that man must be free to "seek righteousness," then the individual man must be permitted the voluntary disposition of his talents and energies.

Even the "variation" which the Darwinians talked about as the "agent" of Natural Selection becomes, in the Admiral's view, a part of the Creator's foresight. "The law of variation," says Ben Moreell, "permits children to be different from their parents. It permits brothers to think differently and to act differently. It permits the existence of both misers and philanthropists; saints and sinners; rich and poor. It permits inventors to invent, managers to manage – and purchasing agents to purchase." Those who want to iron out all human inequalities and who are willing to invoke the force of government to have their way in redesigning mankind are, in the Admiral's estimation, guilty of "playing God."

Welfare Laws Are Immoral

Applied to the economic world, Admiral Moreell's sense of the cosmic order leads him to denounce much of the "positive law" which legislators have applied to both industry and agriculture. He is a polite man and he never deals in personalities. But this does not keep him from saying that the progressive income tax is an iniquity which is now being used "as originally intended by Marx, as a punitive measure to achieve equalization of status, i.e., to take from the thrifty by force . . . . in order to give to the thriftless – and to act as a powerful deterrent to the formation of private capital, thus making it easier for government to step in with public capital."

There is no mincing of words in *The Admiral's Log*. Welfare legislation, when it invokes the political seizure of one man's substance in order to subsidize another, is immoral, for when a person is relieved of responsibility for his own welfare, he becomes to all intents and purposes a slave. After a few years of taking food, clothing, housing, medical care, and educa-

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tion from a benevolent master, the individual must become helpless. Thus, in the Admiral's opinion, the security State winds up by destroying its citizens.

Lessons from History

The Admiral knows his history. One of the most vigorous papers in *The Admiral's Log* is devoted to the drama, "Of Bread and Circuses," as it was enacted in Rome of the second and third centuries, A.D. Ben Moreell quotes the ever-quotable Albert Jay Nock: "Eighty years of continuous effort by five of the world's best and ablest rulers could not prevent the Roman populace from degenerating into the very scum of the earth, worthless, vicious, contemptible, sheer human sculch." During the period of Rome's decay a poll of public opinion, so the Admiral surmises, would have brought out a response of "We never had it so good." Romans in those days lived on "public assistance," had subsidized low-rent dwellings, and were protected by a "government with a conscience." The civil service provided for job security, both within and without its own ranks. "Progressive" members of the business community were delighted, for the "government was their largest customer," assuring them of a "dependable market." The currency inflation, proceeding at a rate of about 2 per cent a year (ah, there, Sumner Slichter!) "instilled confidence and gave everyone a sense of well-being and prosperity." No doubt the farmers were well-pleased, too: they supplied "the grain, the pork, and the olive oil, at or above parity prices, for the government's doles."

What's wrong with this picture? Says Admiral Moreell, quoting an economic historian: "There were no technical improvements in industry after the early part of the second century." With high tax rates, the new enterpriser was discouraged and the favored "well-established, complacently prosperous businessman" was content to live placidly on "a safe, if moderate, income."

Rome was sacked by the Goths in 410 A.D. But, as the Admiral says, it was a "hollow shell of the once noble Republic" long before that. As for the America that includes Moreell's Jones and Laughlin Steel Corporation, it is still prolific of technical improvements. But, as Admiral Moreell asks, in effect: "For how long?" • • •

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Radicals and Conservatives.

By William M. McGovern and *David S. Collier.* Chicago: Henry Regnery Company. 174 pp. $4.00.

The raging *Kulturkampf* – or war of ideas – centers, as usual around definitions: what is conservatism? what is radicalism? Two knowledgeable, but not unbiased, intellectuals have entered the lists with a book called *Radicals and Conservatives.* When you have finished reading the book, you still do not find yourself possessed of any clear-cut definitions; rather, you are introduced to something the authors call "conservative liberalism," which is, on examination, a little of that and a little of this, but not too much of either. The blurb on the jacket says that the authors have endeavored "to mediate between the opposing parties and bring them together." Their purpose? To show the way to the "good life."

The reading of the book is not unrewarding. When the authors leave the present, and their predilections, they do an excellent job of elucidating the basic ideas of political philosophies; that is, the contributions of Locke, Mill, Hobbes, Rousseau, Bentham, and several others who have tried to find the formula for the "good society." Also, they touch upon "natural law" and "natural rights," upon heredity and environment, upon collectivism and individualism, upon the nature of man and upon ethics – pretty near the whole gamut of ideas that are embraced in political philosophy. And they do it well, that is, succinctly and in a literate manner. Their learning is sound and their writing is pleasant.

So far so good. But, when they place the wisdom they have culled from their learning on display, you see something that is distinctly like the middle-of-the-road hodgepodge characteristic of modern "liberalism" – which the authors disown. They are strong for "democracy," using the word in the amorphous sense dear to liberal-collectivist-socialist writers. They espouse "individualism," but they water down the absoluteness of private property, laissez faire, and limited government, without which individualism means nothing. They give the State – political power – competence in regulating the economic process, in promoting the "common good" – like compulsory savings – and in managing public and private morals. They sum up the aim and scope of the State – as they see it – in one sentence: "As much individualism as possible, but as much state interference as is necessary to maintain the common good."

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How much state interference is that? The authors do not say; but they say enough when they dismiss offhand the Lockean concept of the State as an instrument for repelling foreign invasion and punishing crime. That idea of a limited government, they insist, is passé.

The book thus takes its place with a number of similar screeds that have appeared in the last few years, stressing the middle-of-the-road attitude but veering more or less to the collectivistic side. These two authors label their philosophy as "liberal conservatism"; others have appropriated the word "conservatism" for their output. The suspicion cannot down, therefore, that there is a purpose in this espousal of a word. Can it be that "liberalism" – a euphemism for collectivism – has lost its prestige value and that those who are more or less of that frame of mind are seeking some less offensive or more glamorous title?

It is interesting to note that these claimants to the word "conservatism" do not define the State as an organization which differs from all other organizations in that it enjoys a monopoly of legal coercion. That is its only competence. It cannot do anything but use its monopoly privilege to control human behavior by the threat or employment of force. That being so, the only question to decide is what the State should use its force for. On that question hinges the difference between the various ideological camps. One is a statist if one advocates the use of force to interfere in the affairs of men; one is an individualist, libertarian, or just plain freedom-lover if one would limit the government to preserving peace. "Conservative" and "radical" are words of indefinite meaning.

FRANK CHODOROV

A Business of Their Own. *By Lavinia Dobler.* New York: Dodd, Mead & Company. 206 pp. $2.75.

In this age of creeping collectivism and delinquency on both adult and juvenile levels, an organization such as Junior Achievement is as refreshing as the proverbial oasis in the desert. Often referred to as "industry's school of free enterprise," J. A. operates in more than 165 communities stretching coast to coast and extending from New England to Florida. In these various centers, sponsored by industries in the respective areas, some 50,000 boys and girls between the ages of 15 and 21 are learning business by doing business with the help of adult advisers from the sponsoring companies.

Approximately 3,000 J.A. com-

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panies are functioning throughout the country. Set up as miniature, nonlegal corporations, the members sell shares of stock to finance their enterprises. Then they get down to the business of manufacturing and selling some product — chemical, wood, plastic, etc. — or offering a service such as a market survey, bank, or newspaper. At the end of the training program, which starts about October and terminates in May, the small companies liquidate, write annual reports, and pay off their stockholders if a profit has been shown. If the company has failed, the members must then write the stockholders and convincingly explain why no dividend is forthcoming.

With this background, Lavinia Dobler has written *A Business of Their Own,* a novel about the Junior Achievement Center of New York City. Her heroine, Sally Russell, a high school student, joins the Janus Company which is engaged in manufacturing cold cream every Wednesday night from 7:00 to 9:00. The realistic problems of financing, producing, and selling that confront the members of the Janus Company are convincingly handled by Miss Dobler. The company even expands during the year as it tackles the task of making shampoo while still trying to find a market for its already manufactured cold cream.

The author captures the real spirit of the youth who join Junior Achievement as she shows both the concern and enthusiasm that the members display for the success of their respective businesses and their determined efforts to pay dividends to the stockholders, usually composed of family, friends, and school personnel. The cooperation, vital to successful corporate enterprise, is forever apparent. Simultaneously, historical facts, as for instance, that Junior Achievement was founded by Horace A. Moses in Springfield, Massachusetts, in 1919 and became a national organization in 1942, are neatly injected into the story. Some of the sponsors are mentioned and the list reads like a Who's Who in American Business: General Electric, Ford, Standard Oil, General Motors, International Harvester, Sears Roebuck, and others.

Today's world is no easier for teen-agers than for anyone else. It is good to know that thousands of them are involved in a program which makes them aware of the responsibilities that are part and parcel of freedom and free enterprise.

BRAD LEE

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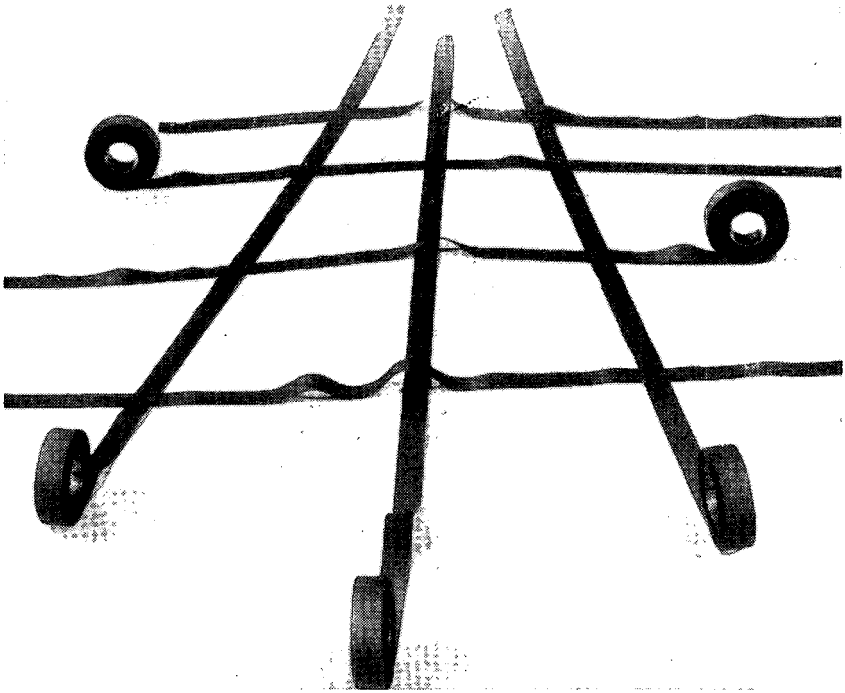

Ribbons of Roads for America that you pay for, but can't ride on

DID you ever ride on a typewriter ribbon? Of course not. Yet many of the tax dollars you pay for roads go to pay for thousands of typewriter ribbons in Washington.

And that's only a small part of the federal tax money earmarked for *local* improvements that Washington siphons off to pay for the high cost of administering the huge local aid program. More of it goes to pay for offices, typewriters, desks, swivel chairs, salaries and the like. What's worse, costly red tape tangles things up. The endless red tape that is always a by-product of big government bureaus.

Some federal tax money is needed to pay for national defense, postal services and other legitimate federal functions. That's okay. But wouldn't it make more sense to let the communities handle their own local improvements.

It's the only way to get full value for the money we pay. It's the only way we can keep track of the money.

The Timken Roller Bearing Company
Canton 6, Ohio

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IDEAS ON LIBERTY

- A person's concept of the cosmic order will ultimately dictate his view of human nature as well as his understanding of the ethical code which should guide his relationships to others. When men rightly apprehend their relationship with the nature of things and with each other, there is harmony and growth. But misunderstanding portends trouble, leading possibly to the collapse of a civilization if the wrong ideas are widely shared.

- The Foundation for Economic Education works within the framework of the spiritual and ethical understanding embodied in the heritage of Western Civilization. Its conviction is that this heritage, in its social aspects, spells out into the philosophy of limited government and free market economics. Political liberty and economic freedom, in turn, are important in man's quest for material sufficiency and spiritual growth.

- The Foundation's monthly publication, THE FREEMAN, prints articles dealing mainly with current efforts to restrain economic and political liberty, with the misunderstandings and fallacies which cause well-meaning people to invoke these restraints. On the positive side, it attempts to explore ways in which men in freedom resolve their economic and political problems.

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